Deutschmark Deutschmark über alles? Page I

Twelve-page residential property special separate section

On safari from the Shetlands to Amazonia Page X-XI

Yeltsin now *A year on from the White House battle* Page 10

FINANCIAL TIMES

Europe's Business Newspaper — WEEKEND SEPTEMBER 24/SEPTEMBER 25 1994 — D8523A

Crédit Lyonnais may need to take additional charge

Crédit Lyonnais, troubled French banking group, may need to make additional provisions of up to FFr25bn ($4.7bn) against its heavy losses, government sources said. Jean Peyrelevade, appointed by the government as chairman of the state-controlled group last year, told officials earlier this week that total provisions could be in the range of FFr15bn-FFr25bn, the sources said. *The size of the provisions* would be among the largest reported in French corporate history. Page 13

Ukraine in IMF deal: Ukraine reached a preliminary agreement with the International Monetary Fund on a reform programme which could release $700m in aid next month. Page 26

Building society review: The UK government launched a review of the way building societies operate, including how they are accountable to the customers who own them. Page 6; Lex, Page 26

Buses to stay 'predominantly red': Some of London's double-decker red buses, a symbol of the capital from New Delhi to New York, changed owners, but the buyer pledged to keep the world-renowned fleet "predominantly red".

Russian budget crisis: Government revenue in Russia would amount to only Rbs64,000bn this year, just over half the planned figure of Rbs124,500bn and only a third of planned expenditure, said deputy finance minister Sergei Alexashenko. Page 2; The high wire act continues, Page 10

Soap attack: Unilever suffered a fresh attack on its new washing powder when the Consumers' Association in Britain said the first version of the detergent damaged some clothes in laboratory tests, even at normal temperatures. Page 26

Clinton rules on reshuffle: President Bill Clinton has overruled his chief of staff's recommendation to replace Dee Dee Myers as White House press secretary. Page 3

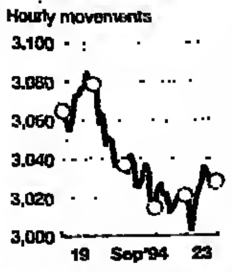
Polly Peck disposal order: A lawyer representing Asil Nadir said an interim court order had been made in Istanbul preventing administrators from selling any assets of Polly Peck International in Turkey. Page 7

Plague exodus in India: More than 200,000 people have fled the western Indian city of Surat where at least 44 people have died from the highly infectious air-borne disease, pneumonic plague. Page 4

Gas power station agreement: Midlands Electricity and three non-UK companies said they had reached agreement on financing a 750MW gas-fired power station on Humberside, underlining the threat to coal from other fuel sources. Page 7

Footsie ends nervous week steadier

FT-SE 100 Index



Source: Reuter

The UK stock market ended a difficult week on a firmer note with the help of an improvement in the stock index futures and bond sectors, although trading volume remained unimpressive. In early trade, the FT-SE 100 index plunged 22 points through the 3,000 mark to 2,999.2, but recovered to 3,028.2 at the close, a net gain of 7 points. The Footsie fell by just over 1 per cent on the week. London stocks, Page 17

Hepworth, building materials and boiler group, reported a 29 per cent rise in half-year pre-tax profits to £35.6m ($56.2), although the figure was flattered by lower interest and finance costs. Page 12

Time change: Clocks in continental Europe go back by one hour tomorrow morning. Summer time continues in the British isles for four weeks to October 23 and in North America until October 30.

UK speedster jailed: A British motorist timed by police at 153 mph, the fastest speed in UK legal history, was jailed for six months for dangerous driving. Unemployed builder Achille Mazzotta, 30, was also banned from driving for four years.

Companies in this issue

Acordia	12	Holt (Joseph)	12
Allied Leisure	12	IAWS	12
Alpha Airports	12	Inchcape	12
Apta Nursing	12	Josephthal, Lyon	13
Artesian	12	Lauritzen Shipping	13
Bain Hogg	12	Midland Assets	12
Blech (O)	13	Molyneux Estates	12
Body Shop	12	Norish	12
Breedon	12	Pirelli	13
Crédit Lyonnais	13	Servomex	12
Europe Energy	12	Stadi Varios	12
Eurotunnel	26	Unilever	26
General Motors	13	United Breweries	12
Goodwin	12	United Fish	12
Hepworth	12	Wembley	12

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Recovery looking increasingly healthy ■ Personal incomes suffer as taxes rise

UK growth hits six-year high

By Gillian Tett, Economics Staff

The UK economy grew at its fastest rate for six years in the second quarter of this year, while the balance-of-payments deficit fell to its lowest level since 1987. The figures provide further evidence for the increasingly healthy nature of the recovery.

Household budgets suffered, though, as the recent tax rises contributed to the sharpest quarterly fall in the level of personal disposable incomes for 15 years.

The squeeze on consumers may explain why economic growth has not yet translated into a widespread "feelgood" factor. However, statistics from the Central Statistical Office yesterday also suggested that economic recovery was now being "re-balanced", away from consumer-led growth and towards a more healthy export and industry-driven recovery.

Gross domestic product was 1.1 per cent higher in the second quarter of the year, compared with the first quarter, and 3.8 per cent higher than in the same period a year ago.

The figure was higher than the government's previous estimates of year-on-year growth of 3.7 per cent, and faster than most previous City estimates. Although many economists believe growth will moderate this year, the unexpected strength of the recovery provides further support for the government's controversial decision to raise bank base rates to 5.75 per cent to reduce any inflation pressures created by this rapid expansion.

In another fillip for the government, the UK current-account deficit narrowed in the second quarter of the year to £700m as exports rose, imports fell slightly, and overseas investment flowed into Britain. The drop was welcomed by the City, where many economists had feared that the deficit would worsen dramatically this year as growing demand sucked in imports.

The Treasury dubbed the figures "very encouraging". The rapid surge in exports, officials noted, suggested that UK manufacturers were becoming increasingly competitive and may be reaping the benefits of sterling's devaluation after the UK's exit from the European Exchange Rate mechanism in 1992.

One beneficiary was the corporate sector, which reported record levels of profit and financial surplus in the second quarter.

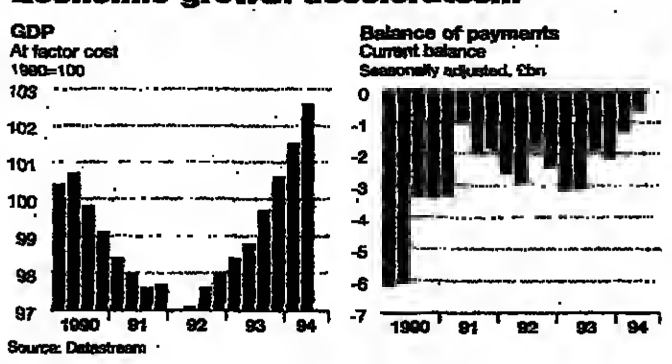
Meanwhile, real personal disposable income, measured in current prices, fell 1.8 per cent between the first and second quarters – the fastest quarterly drop since 1981. Compared with the same period a year ago, disposable incomes were 1.2 per cent lower. The CSO said the fall reflected tax rises and a small overall drop in employment incomes.

The population responded by reducing spending and saving, and increasing borrowing. The personal-sector savings ratio fell to 9.3 per cent in the second quarter of the year, from 11 per cent in the first quarter – the largest quarterly drop for eight years. Total consumer spending growth slowed to 0.2 per cent between the first and second quarters, down from the government's previous estimate of 0.4 per cent growth.

The squeeze on household incomes may add to political pressure on Mr Kenneth Clarke to hold back from further tax measures in the November budget, amid Conservative party concerns that the recent economic growth has not translated into greater political support for the government.

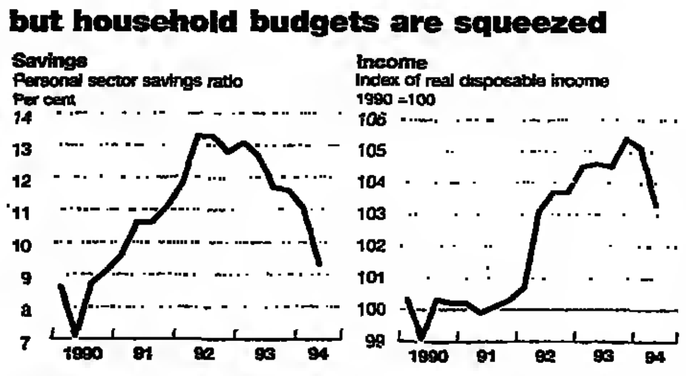
Nevertheless, City economists argued that although consumer spending was likely to fall further this year, the growth in exports would more than offset that, creating a healthier and more sustainable recovery.

Economic growth accelerates...



Source: Datastream

but household budgets are squeezed



Details..........Page 6
Editorial Comment..........Page 10
Lex..........Page 26

Investors move into metals as inflation fears rise

By Philip Coggan, Economics Correspondent

Commodity prices surged again yesterday as investors continued to buy precious and base metals as a hedge against the risk of inflation.

Gold closed in London at a 13-month high of $396 an ounce, with traders reporting buying interest from US institutions.

Mr Andrew Smith, metals analyst at UBS, said the substantial increase in speculative interest in gold was similar to the buying spree when hedge fund investor Mr George Soros announced his gold purchases in 1993.

Silver closed at $5.71 an ounce, up 6 per cent on the week and close to its high for the year. Base metal prices also rose, with copper and aluminium recording their highest closing prices since 1992 and 1991 respectively.

The Economist commodity price index is up 41.8 per cent over the year, in dollar terms. Higher commodity prices increase industry's costs, although competitive pressures mean they cannot necessarily be passed on to consumers in the form of higher retail prices.

Fears that inflation is on the rise have increased this year in the face of strong economic growth in the US and recovery in Europe. Bond yields have risen to reflect the perceived inflationary risks and several countries have raised interest rates in pre-emptive strikes against inflation.

Equity prices have also been affected by inflationary fears. Earlier this week, the Dow Jones Industrial average suffered its biggest one-day fall, in response to poor trade figures and market fears about US inflation prospects.

Stock markets were generally quiet yesterday, with share indices in London, Paris and Frankfurt all moving ahead. The FT-SE 100 closed up 7 at 3028.2 The Dow Jones was down 6 in early afternoon trading.

Currencies, Page 15; London stocks, Page 17; World stocks, Page 23; Markets, Weekend II

London hints of softer line on IRA arms

By David Owen

The government is unlikely to insist that all IRA weapons are surrendered in exchange for allowing Sinn Féin to join political talks on Northern Ireland's future.

That emerged at Westminster yesterday as Mr John Major, the prime minister, raised hopes of further progress on the UK-Irish peace initiative by acknowledging that the government might be engaged in preliminary talks with republican leaders by Christmas.

The positive mood was reinforced by the relatively upbeat tone adopted by both sides after the first meeting under the terms of the Anglo-Irish conference since last month's IRA ceasefire.

Yesterday's developments came on the eve of the arrival in Boston of Mr Gerry Adams, the Sinn Féin president.

Questioned yesterday on the prospects for talks between the government and the IRA's political wing, the prime minister noted that republican leaders had still not provided sufficient assurances that the IRA had renounced violence for good.

But he said they were "very nearly there". If the assurances demanded by the government were given without delay, "clearly we could be talking at or around Christmas-time," he said.

London has promised to start preliminary talks on how to admit Sinn Féin to the political process within three months of a permanent end to IRA violence. The ground covered would include what to do about the IRA's extensive armoury.

Gerry Adams to land in US today..........Page 6

Anything short of a full surrender of IRA weapons would probably disappoint unionists, many of whom are still profoundly suspicious of the IRA's intentions.

But according to Whitehall officials, London is unlikely to regard a refusal by republican leaders to guarantee that all IRA weapons have been handed in as a potential deal-breaker.

There is widespread acceptance, however, that London is likely to take a much tougher line over caches of explosives and military equipment such as semi-automatic rifles and rocket launchers that are believed to be in the IRA's possession.

That is the minimum that would be demanded by the moderate unionists whom it is vital for London to keep on board.

According to Mr John Taylor, the Ulster Unionist MP for Strangford, there is "no way in which the UUP could recognise Sinn Féin as a normal democratic political party . . . until those guns are accounted for."

Questioned on the issue yesterday, Sir Patrick Mayhew, Northern Ireland secretary,, said nobody who had given up violence had "any possible need for these things".

Speaking after his meeting with Sir Patrick in London yesterday, Mr Dick Spring, Irish foreign minister, said London and Dublin were coming closer together in their attitude to the ceasefire.

Dick Spring: gap between two governments is narrowing

Ukraine and IMF agree initial deal over economic reforms

By Chrystia Freeland in Kiev

Ukraine reached preliminary agreement with the International Monetary Fund yesterday on a programme of radical economic reforms that may release an initial $700m (£443m) in aid next month.

The deal with the IMF, the first since Ukraine declared independence just over three years ago, may be a watershed in the country's economic development.

Under former President Leonid Kravchuk, Ukraine became one of the most economically depressed republics of the former Soviet Union. *The new president,* Mr Leonid Kuchma, has promised comprehensive economic reforms, and yesterday's agreement suggests that his government is prepared to live up to his word.

According to Mr Viktor Yushchenko, the reformist chairman of the Ukrainian central bank, who participated in the negotiations, Ukraine has agreed to to keep its budget deficit to 10 per cent of GDP.

IMF officials said the accord called for a tight fiscal policy, price liberalisation, liberalisation of Ukraine's foreign trade, rapid structural reform, such as privatisation, and the creation of a safety net to shield the poor.

If the preliminary agreement is ratified next week by the board of the *IMF* and the *Ukrainian* leadership, it may pave the way for substantial western assistance. IMF officials said they could begin negotiating a standby agreement with Ukraine, which might release as much as $1.24bn, early next year. This summer the Group of Seven leading industrial nations promised Ukraine $4bn in aid if the country began serious reforms.

"This is a ground-breaking agreement," Mr Lawrence DeMilnar, resident representative for the IMF in Ukraine said.

Mr Yushchenko said the deal was the beginning of a comprehensive reform effort in Ukraine. "This is the beginning of real steps toward economic reform," he said, adding that the president was "100 per cent" behind the *IMF deal and the reform process.* He also predicted that initial opponents of market reforms in

Continued on Page 26

STOCK MARKET INDICES

FT-SE 100:	3,028.2	(+7.0)
Yield	4.17	
FT-SE Eurotrack 100	1,343.73	(+9.41)
FT-SE-A All-Share	1,519.58	(+0.1%)
Nikkei	closed	
New York: lunchtime		
Dow Jones Ind Ave	3,830.74	(-6.39)
S&P Composite	459.89	(-1.38)

■ LONDON MONEY

3-mo Interbank	5 17/32%	(5 7/8%)
Liffe long gilt fut:	Dec 99¼	(Dec98 15/32)

■ US lunchtime RATES

Federal Funds:	4 11/16%
3-m Treas Bills: Yld	4.895%
Long Bond	96½
Yield	7.796

■ NORTH SEA OIL (Argus)

Brent 15-day (Nov)	$16.65	(16.26)

■ Gold

New York Comex(Dec)	$399.6	(399.0)
London	$396.0	(393.8)

■ STERLING

New York lunchtime:		
$	1.5775	
London:		
$	1.5788	(1.5762)
DM	2.438	(2.4411)
FFr	8.3366	(8.346)
SFr	2.0263	(2.0278)
Y	154.252	(154.581)
C index	79.7	(79.8)

■ DOLLAR

New York lunchtime:		
DM	1.5465	
FFr	5.2895	
SFr	1.286	
Y	97.705	
London:		
DM	1.5443	(1.5488)
FFr	5.2805	(5.2952)
SFr	1.2835	(1.2865)
Y	97.705	(98.075)
$ Index	61.9	(62.0)
Tokyo Y 97.94		

CONTENTS

News	Letters.....11	FT World Actuaries.....23	Money Markets.....15
International News.....2-4	Man in the News.....10	Foreign Exchanges.....15	Recent Issues.....23
UK News.....6,7	**Companies**	Gold Markets.....14	Share Information.....24,25
Weather.....26	UK.....12	Equity Options.....23	World Commodities.....14
Lex.....26	Intl. Companies.....13	London SE.....17	Wall Street.....22,23
Features	**Markets**	*LSE Dealings*.....16	Bourses.....22,23
Leader Page.....10	FT-SE Actuaries.....17	Managed Funds.....18-21	

Austria Sch32; Bahrain Din1.250; Bermuda $2.00; Belgium BFr65; Canada C$1.75; China RMB26.50; Cyprus C£1.10; Czech Rep CZK50; Denmark DKr16.00; Egypt E£5.00; Estonia EK 20.00; Finland Fmk14; France FFr9.50; Germany DM3.60; Greece Dr350; Hong Kong HK$18; Hungary Ft185; Iceland IKR215; India Rup60; Indonesia Rp4,050; Israel NS8.90; Italy L3000; Japan Y500; Jordan JD1.50; Korea Won 3000; Kuwait Fils.625; Lebanon $US1.50; Luxembourg LFr65; Malaysia Rm4.60; Malta Lm0.60; Morocco Dh15.00; Nigeria Naira50.00; Netherlands Fl4.25; Norway NKr17.00; Oman OR1.50; Pakistan Rs40; Philippines Pso 50; Poland Zl 38,000; Portugal (mainland) Esc225; Qatar QR13.00; S.Arabia Rls11.00; Singapore S$4.30; Slovak Rep KSL50; South Africa R12.00; Spain Pts225; Sri Lanka Rup40; Sweden SKr18.00; Switzerland SFr3.30; Taiwan NT$65; Thailand Bht50; Tunisia Din1.500; Turkey L30000; UAE Dh12.00; USA $1.55

Russian state revenue to fall short by half

By John Lloyd in Moscow

The desperately strained condition of the Russian budget was revealed yesterday by Mr Sergei Alexashenko, deputy finance minister, who said government revenue this year would amount to only Rbs64,000bn. This is a little over half the planned figure of Rbs124,500bn and a third of planned expenditure of Rbs194,500bn.

Mr Alexashenko, who with Mr Sergei Dubynin, the acting finance minister, occupies the hottest seat in the Russian government, said the number of "dissatisfied" people would be large but that "the government and within it the Ministry of Finance intend to adhere strictly to our chosen line – of restricting inflation and achieving macroeconomic stability".

He appealed to the parliament to pass the budget for 1995 – which has not yet been presented to the parliamentary leadership – and said it should not waste time attempting to revise the 1994 budget, in spite of cuts the government has made in its spending.

Some opposition leaders have threatened to try to overthrow the government by blocking next year's budget, which aims for a monthly inflation rate of 3 per cent, while some ministers in the cabinet have argued for extra expenditure.

Forecasts produced by the Finance Ministry show that industrial output is expected to be 20 per cent down by the end of this year on 1993 levels – one of the main reasons for the inability of the state to gather taxes. The other key reason is the more rapid fall in inflation, to 4 per cent last month, although Mr Alexashenko expected it to rise to 6-7 per cent this month.

In a speech in the town of Krasnogorsk yesterday, Mr Oleg Soskovets, first deputy prime minister, said the government expected the production slump to slow; he blamed its steepness on deep cuts in military expenditure.

He said expenditure in the defence sector had been reduced by 70 per cent in the past two and a half years, while general investment in the economy had been reduced by 65 per cent in the same period.

One of the casualties of the budget cuts this year has been the military, whose allocation of Rbs40,600bn was reduced to Rbs32,000bn. The daily Nezavisimaya Gazeta newspaper reported yesterday that General Pavel Grachev, defence minister, is to appeal for more funds, basing his case on the incident earlier this week in which Moscow's main early warning nuclear facility suffered a cut in electricity because it had not paid its bills.

The arrears in back pay in many sectors would, said Mr Alexander Smirnov, head of the Finance Ministry's treasury department, be addressed by the allocation of Rbs1,000bn to a wages fund before the end of the year.

Russian President Boris Yeltsin is expected to argue strongly that Russia has a strong and legitimate national interest in the exploitation of oil and gas in the Caspian sea region, during weekend talks with Mr John Major, the British prime minister, at Chequers, the premier's country retreat, *writes Anthony Robinson*. BP and British Gas are among large British companies negotiating deals in Azerbaijan and elsewhere in oil- and gas-rich former Soviet central Asia.

Mr Yeltsin is also expected to outline the contents of a policy speech setting out Russia's attitude towards arms control and security issues, which he will deliver at the United Nations in New York next week. Mr Douglas Hurd, the UK foreign secretary, will hold separate talks on Bosnia and other international issues with Mr Andrei Kozyrev, his Russian counterpart. Russia's new ambassador to London, Mr Anatoly Adamishin, a former deputy foreign minister and veteran career diplomat, will take part in the talks.

See Pages 10 and XXII

SPD's troika starting to totter

By Christopher Parkes in Frankfurt

The authority of Mr Rudolf Scharping, the Social Democrat (SPD) party leader, was challenged yesterday by his rival-turned-partner, Mr Gerhard Schröder.

Old rivalries between the two men re-emerged as Mr Schröder demanded an equal say in negotiations with potential coalition members and the process of sharing out departmental responsibilities in the event of an SPD victory in the forthcoming federal elections.

Less than a month before the poll and just three weeks since Mr Scharping recruited Mr Schröder and Mr Oskar Lafontaine, Saarland premier, into a "troika" to lead the party's campaign, Mr Schröder said it was not acceptable that "some have to walk while others ride on horseback". The party leader was only "the first among equals", he said.

Opinion poll results had stabilised since Mr Schröder joined the campaign. Although the SPD was still trailing Chancellor Helmut Kohl's Christian Democrats and their Christian Social Union allies, and SPD supporters should not raise their hopes too high, this showed the troika was already a success, Mr Schröder said. It had "stopped the free-fall" in public opinion towards the party, he told the Hannoversche Allgemeine Zeitung.

Mr Schröder, who was beaten by Mr Scharping in last year's vote for the party leadership, had joined the ad hoc leadership team after standing aloof insisting he would fight on his home ground, Lower Saxony. He said yesterday the right to an equal say in forming a government was an implicit condition of his agreeing to join.

He once again staked his claim to a "super ministry" for economics, transport and energy. It was "very likely" he would be granted this range of responsibilities in any SPD-led coalition, he said.

The attempt to pep up Mr Scharping's conservative style with Mr Schröder's populist aggression and Mr Lafontaine's charisma was widely interpreted at the time as a sign the party had accepted its leader stood little chance alone against Mr Kohl.

Now the risks involved in putting three men with such contrasting styles on the hustings together appear to be emerging. Mr Schröder was recently seen on television telling supporters that he and Mr Lafontaine had discussed which jokes they would tell during the campaign and had decided Mr Scharping should not be allowed to tell any.

While the trio is due to appear together on several occasions before voting on October 16 – with one open-air outing booked for next Tuesday in Frankfurt – media attention is still closely focused on Mr Scharping.

Consistent rather than rousing, he is presenting himself as the man of the middle ground, mimicking the nothing-disturbs-me style of Mr Kohl, in an apparent attempt to lure the CDU vote. However, his speeches so far have shown little variation in tone, content or temper.

Bidding to unseat Mr Kohl who is campaigning for his fourth four-year term after unseating the SPD's Mr Helmut Schmidt, Mr Scharping refers constantly to tha SPD's hey-day leaders, Mr Willy Brandt and Mr Schmidt, as his role models.

Mr Schröder, meanwhile, has adopted a characteristically more direct and aggressive style with direct attacks on the chancellor: "Kohl and Co are done for. They have got to go."

Call to reform French political funding rules

By John Ridding in Paris

Mr Pierre Méhaignerie, the French justice minister, yesterday recommended a reform of the country's laws concerning political funding, arguing that businesses should no longer be allowed to finance politicians' electoral campaigns.

"I think that a new step has to be taken," he told Le Monde newspaper. "In particular, it seems desirable that politicians should be totally independent of companies for the financing of their campaigns."

Mr Méhaignerie also raised the need to examine company law. Several corruption investigations under way relate to the responsibility of chairmen for the actions of subsidiaries, prompting the minister to question whether the law was well adapted to the operations of large businesses. He said the issue would be examined by a three-member commission appointed by Mr Edouard Balladur, the prime minister.

The comments by Mr Méhaignerie come amid a series of corruption investigations.

The chairmen of some of France's largest business groups, including Saint Gobain and Schneider, have been placed under investigation for alleged fraud.

Mr Alain Carignon resigned as communications minister in July after he was placed under investigation in a case involving allegations of illicit payments for public works contracts in Grenoble, where he is mayor. This week an investigating magistrate recommended that Mr Gérard Longuet, industry minister, should be prosecuted for alleged fraud relating to payments for the construction of his holiday villa.

Mr Méhaignerie said he had no concrete plans at the moment to introduce a reform of the party funding laws. "There is no urgency at the moment. But the question merits reflection and a large debate."

He indicated two alternatives to the present system which allows, but strictly limits, the funds which can be paid by business to political parties. One would be the establishment of national foundations within political parties which would act as intermediaries between politicians and businesses. Another would be the creation of a public political financing body.

Man in the News, Page 10

US Secretary of State Christopher hesitant over lifting sanctions on Serbia

Croats reject UN mandate

By Bruce Clark in Brussels and Laura Silber in Belgrade and agencies

The Croatian parliament yesterday voted against renewing the mandate of the UN peacekeepers in Croatia unless the UN forces are given some muscle to return Serb-held lands to government control.

Separatist Serbs have exploited a stalemate wrought by a UN-policed ceasefire to cement the breakaway Republic of Serb Krajina, spanning a third of Croatia's territory, which was seized in a 1991 uprising against secession from Yugoslavia.

UN troops in Croatia have failed to fulfil their mission to repatriate refugees to the Serb-held Krajina, disarm its rebels and restore Croatian sovereignty because they are prohibited from using military force.

Meanwhile the US administration, which is due to receive a visit from Bosnian president Alija Izetbegovic today, is backing away from easing sanctions against Serbia, in a move that could threaten the unity of the five nations which are working for a peace settlement in Bosnia.

US Secretary of State Warren Christopher said the US did not think the United Nations Security Council should vote late yesterday on easing economic sanctions against Yugoslavia. "We think it probably should not be voted on today," he said.

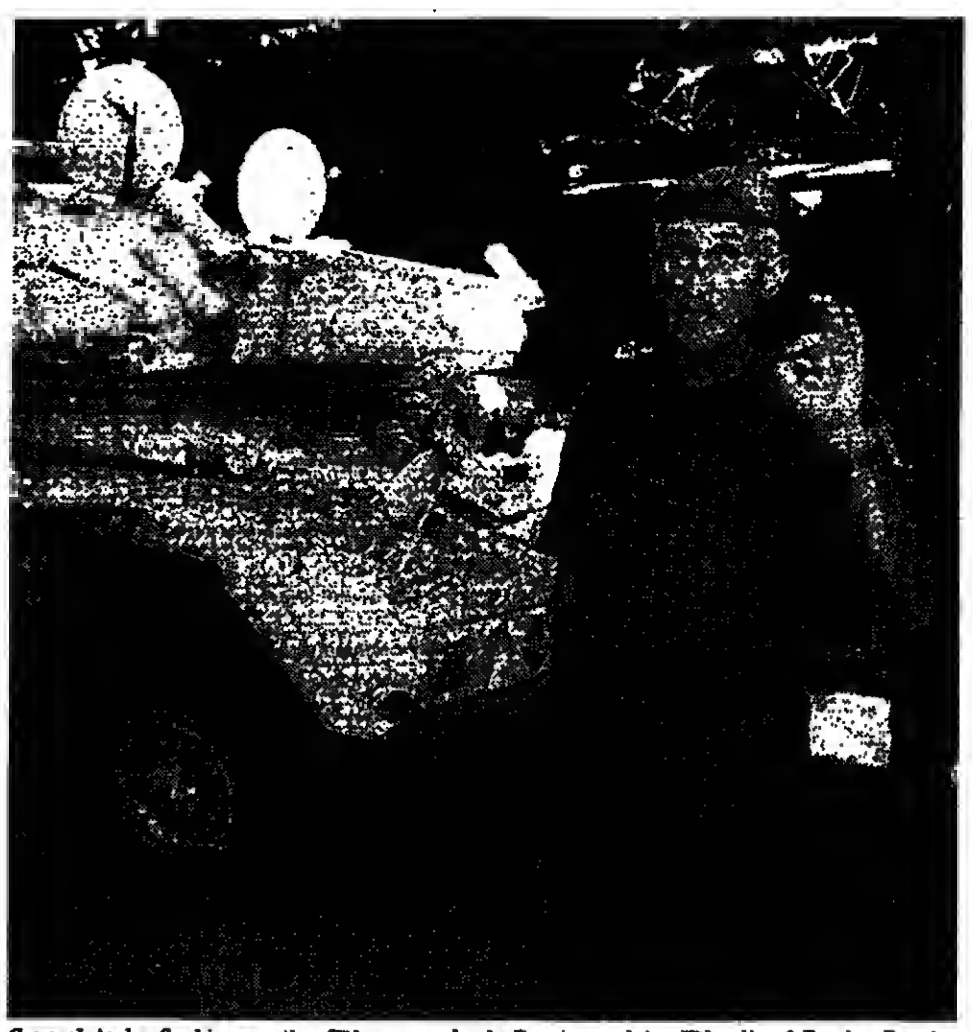
But at the United Nations, diplomats from countries belonging to the contact group on Yugoslavia said US Ambassador Madeleine Albright had agreed for the vote to go ahead last night as scheduled.

The draft resolution will lift, for a trial period of 100 days the UN bans on direct flights to Belgrade and on sporting and cultural exchanges.

Diplomats said the US administration remained vulnerable to the pro-Bosnian lobby in Congress, despite the tightening of military pressure against Bosnian Serbs that was signalled by Thursday's Nato air strike in the Sarajevo area.

The air raid was the first time the UN has accepted the idea that attacks on its own troops should be punished by air raids on targets that had no involvement in those attacks.

The air raid followed strong pressure from Nato headquarters, and some intensive private lobbying by senior US politicians and military officers, for tougher action.



General Andre Soubirou, acting UN commander in Bosnia, explains UN policy following Bosnian Serb attacks on his forces. The armoured car behind him was damaged in an attack Reuter

Trade union setback for Norwegian EU hopes

By Hugh Carnegy in Stockholm

Norway's Labour government suffered a setback yesterday in its struggle to win approval for Norwegian membership of the European Union when the LO blue-collar trade union confederation recommended that its members vote No in the referendum on November 28.

The LO, whose 780,000 members represent a large chunk of the electorate, voted by 156-149 at a special congress to recommend a No vote, defying the pro-EU line of the Labour party to which the LO is closely tied.

Mrs Gro Harlem Brundtland, the prime minister, has worked hard to keep the Labour party, by far the country's largest political party, committed to a Yes vote despite a significant anti-EU stream within its ranks.

She was hoping the LO would do likewise to ensure the entire labour movement leadership was united behind the Yes campaign.

Instead, the LO vote – and the acrimonious debate that preceded it – underscored the divisions within the movement which Mrs Brundtland had hitherto managed to disguise.

The No camp, which holds a strong lead in the opinion polls, hailed the LO vote as a significant development. "Psychologically it is very important that tha country's largest wage-earner organisation has said No," commented Mr Hallvard Bakke, leader of the anti-EU faction within the Labour party.

An opinion poll earlier this week in the newspaper Aftenposten showed 50 per cent of Norwegians intended to vote No, with 28 per cent in favour and 22 per cent undecided, a slight strengthening of the No side since August.

The poll also showed the No lead strengthening even if Finland and Sweden, which vote first, supported entry. In those circumstances 47 per cent would vote against and 39 per cent for, compared with a No lead of just 43-42 in August.

Warsaw hotel financing debacle dismays Poles

Christopher Bobinski on the row threatening confidence in foreign investors

A FFr340m (£40.8m) hotel financing package put together by the Banque Nationale de Paris four years ago, in the heady days just after communism had collapsed in Poland, is coming under attack as it becomes clear the loans can never be repaid.

Mr Jan Parys, new head of Holding Wars, the Warsaw city council-controlled company which now owns the Mercure hotel in Warsaw, has charged that the construction costs of the hotel – which was built by the Compagnie Générale de Bâtiment Construction (CBC) of France – were too high and the eight-year loan carrying a fixed 11 per cent interest rate condemned the project to permanent losses.

The three-star, 250-room Mercure is one of the handful of hotels built in Warsaw over the past four years to cater for businessmen and tourists. This year it has had an average 70 per cent occupancy rate and expects to earn FFr45m at an operating cost of FFr22.5m.

However, the terms of the loan, which was guaranteed by Coface, the French state export credit agency, require the hotel to pay FFr65m a year in capital and interest payments.

Holding Wars is trying to renegotiate the terms of the loan. Three Polish banks, including the Bank Handlowy, which ultimately guaranteed the credits, are negotiating to take over the unpaid portion, worth FFr369m, from BNP.

In the talks with the Polish banks BNP has agreed to waive its FFr29m fee for early repayment of the loan while Coface will not be asking for its insurance premium over the eight-year life of the loan to be paid, which saves another FFr27m. The talks are expected to be completed by the end of this month.

CBC, which originally held 50 per cent of the equity in the Warsaw Mercure, withdrew in February. The hotel retains the Pullman franchise but the French hotel group has also withdrawn from the project. Day-to-day management of the hotel is now in the hands of Medan, a small French company. CBC and Pullman were responsible for the original business plan in 1990 which was approved by Coface and the BNP. The French government also actively promoted the scheme at the height of the rush to establish a presence in eastern Europe as it emerged from Soviet control.

Foreign property consultants agree that the project was too expensive and suggest that the construction costs of a 250-room hotel like the Mercure in Warsaw should not have been higher than FFr130m for the scheme to be profitable. "They didn't know what they were doing when they signed the deal," says one.

The debacle threatens Polish confidence in foreign investors.

"Who in 1990 would have questioned a business plan accepted by such renowned foreign companies?" Mr Parys says ruefully of his predecessors' decision to go ahead with the project.

● The European Bank for Reconstruction and Development and the Polish Development Bank have arranged a \$23.5m (£14.8m) financing package to help fund the first phase of a 20,000 sq m office and shopping centre in Warsaw. The centre is being built by Skanska, the Swedish building company, with the cost of the first phase set at \$35.5m.

THE FINANCIAL TIMES
Published by The Financial Times (Europe) GmbH, Nibelungenplatz 3, 60318 Frankfurt am Main, Germany. Telephone ++49 69 156 850, Fax ++49 69 5964481. Telex 416193. Represented in Frankfurt by J. Walter Brand, Wilhelm J. Brüssel, Colin A. Kennard as Geschäftsführer and in London by David C.M. Bell and Alan C. Miller. Printer: DVM Druck-Vertrieb und Marketing GmbH, Admiral-Rosendahl-Strasse 3a, 63263 Neu-Isenburg (owned by Hürriyet International). ISSN: ISSN 0174-7363. Responsible Editor: Richard Lambert, c/o The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL, UK. Shareholders of the Financial Times (Europe) GmbH are: The Financial Times (Europe) Ltd, London and F.T. (Germany Advertising) Ltd, London. Shareholder of the above mentioned two companies is: The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL. The Company is incorporated under the laws of England and Wales. Chairman: D.C.M. Bell.

FRANCE: Publishing Director: D. Good, 168 Rue de Rivoli, F-75044 Paris Cedex 01. Telephone (01) 4297-0621, Fax (01) 4297-0629. Printer: S.A. Nord Eclair, 15/21 Rue de Caire, F-59100 Roubaix Cedex 1. Editor: Richard Lambert. ISSN: ISSN 1148-2753. Commission Paritaire No 67808D.

DENMARK: Financial Times (Scandinavia) Ltd, Vimmelskaftet 42A, DK-1161 CopenhagenK. Telephone 33 13 44 41, Fax 33 93 53 35.

Clinton hears personal appeal from his press secretary

White House reshuffle pulls in president

By Jurek Martin in Washington

President Bill Clinton has overruled his chief of staff's recommendation to replace Ms Dee Dee Myers as White House press secretary. A personal appeal from Ms Myers to the president appears to have been instrumental in his decision.

Details of the White House personnel reshuffle were to be announced late yesterday by Mr Leon Panetta, chief of staff. Advance word was that Ms Myers would not only continue as the daily briefer of the press corps, but would be given additional responsibilities, with greater access to the president and other senior policymakers.

Mr Panetta's plan, widely circulated here on Thursday, would have had Ms Myers replaced as press secretary by Mr Mike McCurry, currently the State Department's effective chief spokesman. She would not have been dismissed but given broader responsibilities in the White House communications network.

News of the reshuffle prompted Ms Myers to cancel her regular daily briefing on Thursday and to appeal directly to Mr Clinton in what was described as an "emotional" session in which she may have threatened to resign.

Her departure under protest could have embarrassed Mr Clinton, since Mr Panetta's reshuffle also apparently involves the replacement of two other senior women in the White House – Ms Joan Baggett, the political director, and Ms Ricki Seidman, who runs the president's scheduling.

But Mr Clinton's action also clearly embarrasses Mr Panetta, the former congressman and director of the budget, who succeeded Mr "Mack" McLarty this summer with a clear mandate to shake up the White House staff, especially those responsible for press and external relations.

In other moves, the present communications director, Mr Mark Gearan, is to be reassigned and his position abolished. Mr Phil Lader, now Mr Panetta's deputy, is to swap jobs with Mr Erskine Bowles, who runs the Small Business Administration.

Mr Panetta has been trying to instil greater order into the White House, in which a wide variety of advisers, including Mr Bruce Lindsey, who is to be reassigned to the legal counsel's office, and Mr George Stephanopoulos, the first communications director and now counsel to the president, have had almost unlimited access to the Oval Office.

This has suited Mr Clinton's eclectic style of decision-making but has caused friction with other departments.

Congress near agreement on lobbyist curbs

By Jurek Martin

The US Congress yesterday moved closer to passing legislation severely limiting the favours its members may receive from lobbyists.

But, with only two weeks remaining before recess, Republicans threatened to block action on other substantive legislation, including a watered-down healthcare reform bill, proposals to change the financing of election campaigns and a measure protecting Californian desert lands from commercial development.

The lobbying breakthrough came with the agreement of a joint House-Senate conference committee on a unified bill to be presented to the Senate early next week and the House shortly thereafter. Both had passed different bills earlier in the year.

The bill would prohibit members of Congress and their staffs from accepting meals, entertainment, travel, legal defence fund contributions and all but the most inexpensive gifts from lobbyists. Campaign contributions would not be covered.

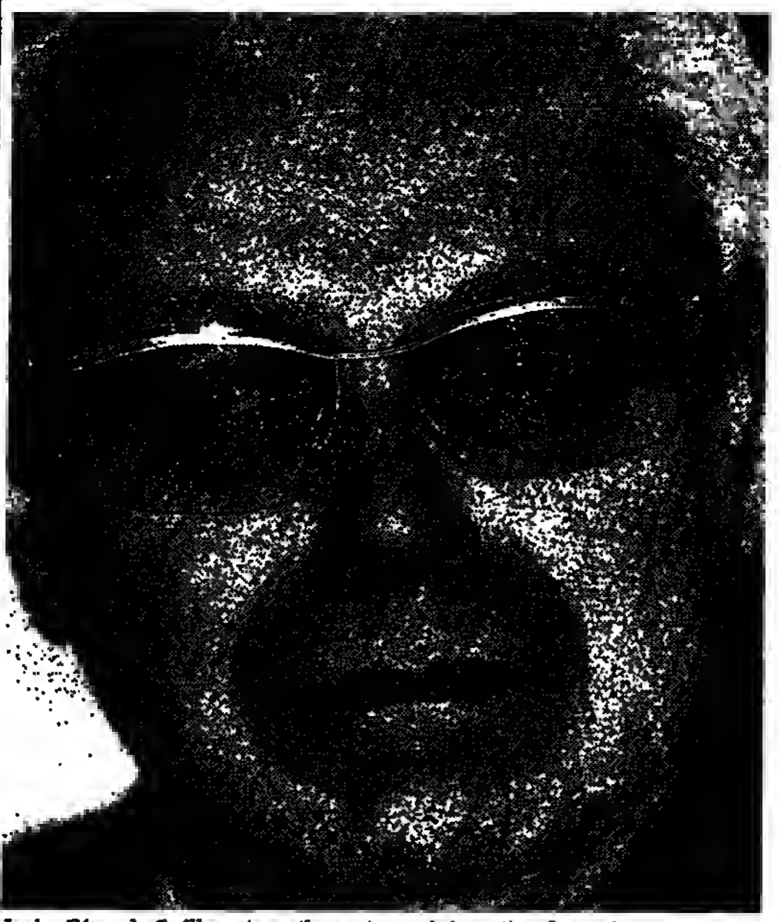
The estimated 13,000 paid lobbyists in Washington would be obliged to register with the government (only about 4,000 now do). They would be required to disclose their financing and expenditures, whom they lobby and on what issues. The issue has populist appeal in advance of the November mid-term elections in which the anti-Washington mood of the nation is already evident.

The defeat on Tuesday of Congressman Mike Synar of Oklahoma in a Democratic primary and the low vote won by Mr Tom Foley, the speaker of the House, in Washington state were tart reminders of this political reality.

But the Republicans showed themselves disinclined to hand the Democratic leadership and President Bill Clinton anything that could be portrayed as victories in the November polls.

A mainstream group of senators, including some moderate Republicans, continued to press for modest healthcare reform improving coverage for pregnant women, children and the aged. But even Senator Christopher Dodd, the Connecticut Democrat, said his own bill aimed at children's health probably could not pass this year.

Senate Republicans also threatened to use an obscure parliamentary device – known as the post-cloture filibuster – to prevent action on campaign finance reform, an issue high on Mr Clinton's agenda. This bill would place financial ceilings on the amount that could be spent in any race and would provide for partial government financing.



Javier Pérez de Cuéllar: strengths centre on international prestige

Pérez de Cuéllar joins race for Peruvian presidency

By Sally Bowen in Lima

Mr Javier Pérez de Cuéllar, the former UN secretary general, has announced that he will run for the presidency of Peru for the period 1995-2000.

The decision will pit the 74-year-old diplomat against both serving President Alberto Fujimori – expected to confirm in coming days that he will seek re-election – and Mr Fujimori's wife, Ms Susana Higuchi. Ms Higuchi has formed her own opposition political movement and will run for the presidency if she can ensure a law impeding her candidacy is quashed.

In a brief and low-key announcement made before a small gathering of press and key supporters, Mr Pérez de Cuéllar gave only general outlines of future policy.

Like most of Mr Fujimori's opponents, Mr Pérez de Cuéllar was obliged to recognise the advances made in Peru in the past four years. Unlike others, he was able to remind his listeners that he himself had assisted Mr Fujimori in designing "the indispensable corrections in economic policy" made in 1990.

In what appeared to be an attempt to calm the nerves of local and foreign businessmen, who fear he could represent a return to more a socialist line, Mr Pérez de Cuéllar promised: "What has already been achieved will be perfected... [but with] democracy, genuine stability, development and jobs."

With the first round more than six months away, it is too soon for reliable opinion polls. A nationwide poll by the Apoyo organisation last weekend showed Mr Fujimori currently enjoys 44 per cent support and Mr Pérez de Cuéllar 24 per cent. Ms Higuchi is trailing with only 6 per cent.

According to the same poll, the qualities most admired in the current president are his capacity for hard work, his decisiveness, his preoccupation with the poor, his knowledge of Peruvian reality and his honesty (although conversely, among his failings, 17 per cent of those polled dubbed him a liar).

Meanwhile, Mr Pérez de Cuéllar's strengths in Peruvian eyes centre on his international prestige, his experience and his commitment to democracy. It is easy to make the charge – and Mr Fujimori has already done so – that the former diplomat, who has lived most of his life outside Peru, is unfamiliar with national problems. Mr Pérez de Cuéllar's retort is, "I've spent 40 years serving my country. Mr Fujimori four".

Many observers question whether Mr Pérez de Cuéllar has the will, or indeed the physical stamina, for what promises to be a bruising six-month campaign. Certainly, he seems to have stood up well so far to five weeks' intensive travelling in the hinterland where, he says, he has found "vast areas of poverty... [and] a systematic ill-treatment of institutions".

Although presidential candidates and new movements are now proliferating in advance of the October 9 deadline for registration, Mr Fujimori remains in the driving seat. Largely ignoring both his wife and other potential opponents, he devotes most of his working week to travelling in the provinces, inaugurating schools and newly-resurfaced roads.

Mr Fujimori acts like a man whose mission to change the face of Peru is unfulfilled. With undeniable, and concrete, achievements to point to, he will prove a formidable opponent. Nevertheless, Mr Pérez de Cuéllar could prove a welcome alternative for those Peruvians who distrust Mr Fujimori's authoritarian leanings and disapprova of his 1992 overturning of democracy.

Haitians may get US jobs training

By James Harding in Port-au-Prince

Haitian refugees being held at the US naval base in Guantanamo Bay, Cuba, will start coming home on Monday. US officials could not confirm the number of people who have asked to return, but have taken their requests to do so as a sign that Haitians see the US military presence as a guarantee of security.

Although no details were given, it is understood the US intends to train as many as 1,500 of the people returning for civilian and policing jobs in Haiti. There are currently more than 15,000 refugees at Guantanamo.

US embassy spokesmen said refugees would be repatriated on a voluntary basis only.

US commanders in Haiti yesterday continued to develop operating regulations for their troops in co-ordination with Haiti's military command. General Henry Shelton, US commander of the joint task force in Haiti, yesterday held his fourth meeting of the week with General Raoul Cédras, the military leader, who is required to step down by October 15.

In downtown Port-au-Prince, Colonel Mike Sullivan, head of the US military police units, met Colonel Michel François, the chief of police, who was instrumental in the 1991 coup which ousted elected President Jean-Bertrand Aristide.

News of a meeting with the reclusive but influential Col François, whose whereabouts had been unclear even to US officials earlier in the week, will relieve many who have feared he was not party to the agreement to restore Mr Aristide.

More US troops came out to patrol the streets of Port-au-Prince in conjunction with Haitian police.

In addition, embassy officials announced that three Special Forces operating detachments were yesterday due to be sent out to the Haitian countryside to take up positions at Gonaives, Jacmel and Cap Haitien.

Twelve UN observers arrived yesterday to monitor the military operation, which, although only involving US personnel on the ground as yet, is a multinational intervention sanctioned by UN Resolution 940 in July earlier this year.

US defence secretary William Perry and General John Shalikashvili, chairman of the military joint chiefs of staff, will visit Haiti today to meet US forces, defence officials said, Reuter adds. They will return to Washington this evening.

Life is still no bowl of sugar and bananas

Jamaica's fiscal triumph is in dispute, writes Canute James

The custodians of Jamaica's finances are celebrating what they see as a significant change in the fortunes of their economy.

Since the beginning of the year, there has been a marked increase in the volume of foreign currency in the commercial banking system, and the country's foreign reserves have grown twenty-fold. This, they say, has contributed to several months of currency stability in Jamaicia.

The underlying cause of these developments, however, has been questioned. It has been suggested this financial turn for the better has nothing to do with the performance of the economy, and that it could be temporary.

Officials say it is government action which has brought stability.

The deregulation of Jamaica's foreign exchange market three years ago was followed by an 83 per cent depreciation in the value of the Jamaican dollar, following a fall of 67 per cent during the 1980s.Since January, however, flows of foreign currency into the banking system have moved from about US$2m a day to about $5m a day. The country's net international reserves have moved from $12.5m in December to about $240m in June – equal to the import bill for about six weeks. The exchange rate has been stable for nine months.

"This is the result of a successful policy," said Mr Jacques Bussieres, governor of the central bank. "The tight monetary policy of the last year has helped to stabilise the exchange rate, restoring some confidence in the Jamaica dollar. This has encouraged people to hold Jamaican dollar assets, leading to significant reflows of capital into Jamaica."

Mr Edward Seaga, the opposition leader and a former finance minister, is far from convinced. During the period of increased foreign inflows and currency stability, there has been a decline in earnings by the leading sectors of the economy. "There is no underlying growth in the economy to support the inflow of foreign exchange claimed by the government," he contended.

Jamaica's merchandise deficit in the first five months of this year widened to $374.5m, $50.4m more than a year earlier, and follows a trade gap of $1.1bn last year. Marginally higher earnings from tourism will not close the gap. "Jamaica is in great danger by proceeding on the false premise of having a safe reserve position," Mr Seaga said.

JAMAICA'S NET INTERNATIONAL RESERVES

In millions of US dollars

1983	–807.4	1989	–530.5
1984	–623.6	1990	–447.8
1985	–700.3	1991	–443.0
1986	–768.1	1992	– 67.0
1987	–538.1	1993	+ 12.5
1988	–535.2	1994 (Jun)	+240.0

Source: (Central) Bank of Jamaica

The increased foreign currency inflows followed the expansion of the network of licensed foreign exchange facilities, said Mr Rex James, president of the Banker's Association. "Black market trading in foreign currency seems to have disappeared. Some money is also coming in because of higher interest rates here than might be available in the US." Jamaican banks' interest rates on foreign currency deposits are about 50 per cent higher than those prevailing in the US.

This increase in currency inflows and the improvement in international reserves, however, masks some continuing and chronic problems for the economy. Economic growth this year is not expected to be much higher than last year's 1.2 per cent – less than half the government's target. The bauxite mining and refining industry and export agriculture (mainly sugar and bananas) are likely to record no more than the marginal growth expected by tourism. Despite the exchange rate stability of the past eight months, figures up to July indicate an annualised inflation rate of 32.7 per cent, following last year's 30.1 per cent. The fiscal programme, attempting to achieve a surplus, has adversely affected social services.

Industrial unrest threatens as the government, ironically, becomes the victim of what its claims is a policy success. Reports of the improvement in the foreign reserves have coincided with a spate of hefty wage claims from public sector unions.

Despite repeated suggestions that illegal activities have contributed to the increased inflows, Mr James maintains "there is no evidence that money is being laundered in Jamaica". Mr Bussieres concurs: "While there is always the chance of some element of money laundering being attempted, the central bank has taken all steps to ensure that this is not happening."

There's a whole lotta coffee in . . . Ethiopia

There's some good news at last in a country that has had more than its share of suffering, both natural and man-made, writes Hilary de Boerr

For a country usually associated with drought, famine and war, Ethiopia has for once something to celebrate. Plentiful rains have raised hopes of a good harvest after 18 months of drought. And coffee prices are soaring because of frost and drought in Brazil, with Ethiopia among those reaping the benefits.

In addition, the discovery of the world's oldest human fossils, solving the missing link between man and apes, is a source of pride to a much beleaguered people.

Ethiopia earlier hit the international headlines 10 years ago, when millions starved because of persistent drought. The country was back in the news this May, when government and aid organisations were warning of a potentially worse disaster this year; early-season rains had failed and thousands were dying of hunger. An Ethiopian government delegation organised a world tour to drum up food donations.

A disaster may well be averted. Rains in much of the country have been heavy, and continue to fall. "The main season's crop harvest is very very promising. If – and it's a very big if – moisture continues for another few weeks then there will be a good harvest. At the present time there is no indication of an emergency situation in our areas in the coming months ahead," says Dr Getachew Diriba, of CARE International, one of 160 non-governmental organisations operating in Ethiopia. Aid organisations working in other parts of the country echo his remarks, but stress emergency food will still be necessary until the harvest.

Coffee farmers are also getting a big break. World coffee prices have almost trebled this year because of Brazil's misfortune. Ethiopia's farmers are therefore taking better care of their plants and sending more to the export markets. The country expects coffee exports worth $250m (£158.2m) this year, compared with $100m in 1993. Coffee – which originated in Ethiopia and grows wild – accounts for more than half of the country's export earnings.

Such good news stands out in a country struggling for the past three years with the transition to democracy after three decades of conflict which ended with the collapse of the Mengistu regime and independence for Eritrea. Ethiopia has 55m people – second only to Nigeria in Africa in population – and has one of the world's highest population growth rates. And while 85 per cent of the population is rural, eking a living from the land, the country is unable to feed itself.

Even with a good harvest, the country needs an extra 500,000 tonnes of cereals to feed its people each year. Add to that drought, pest infestation of crops, and the needs of people fleeing from ethnic conflicts, the return of exiled Ethiopians, refugees from Eritrea, and disabled servicemen, and the figure more than doubles. Food aid is a necessity for the foreseeable future.

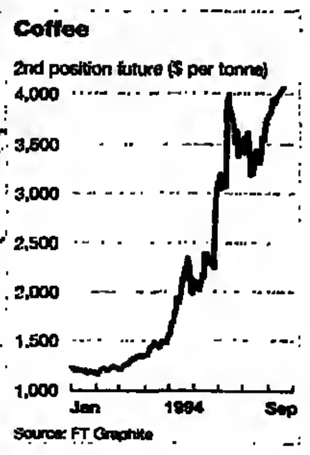
There are other huge demands on the transitional government. The country's infrastructure is severely under-developed. Roads, electricity and telecommunications all need huge investment – not only to make life bearable for Ethiopians but to attract foreign investors. People need such basics as schools, hospitals and jobs; in the capital, Addis Ababa, about 60 per cent are unemployed, according to one study. Many of the jobless set up home-grown businesses selling necessities like injera – a pancake like bread – or they polish shoes, or guard cars, or beg. Many small businesses are being formed – from restaurants and travel agencies to fruit and vegetable stalls.

But the government is moving in the right direction, against all odds, according to the World Bank. A structural adjustment programme is in place, involving a devaluation of the national currency, the birr, the introduction of market pricing and privatisation plans.

Defence spending has been reduced by about two thirds while the education and health budget has doubled.

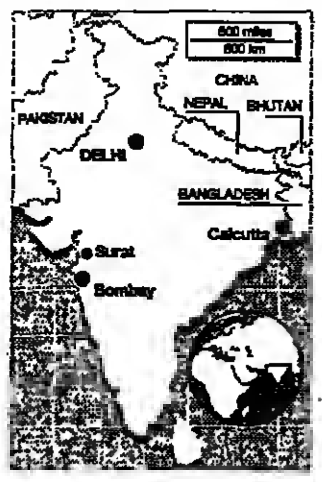
"I will be hard put to find another African country in which such a clear change is evident in just three years," says Abhay Deshpande, the resident representative for the World Bank in Ethiopia.

Missing Link, Weekend FT, Page XXII



Thousands flee India's killer plague

By Stefan Wagstyl in New Delhi



About 200,000 people have fled from the western Indian city of Surat, where plague has killed at least 44 people and left scores more sick in hospitals.

The government put health authorities in Delhi and Bombay and other cities in northern and western India on alert amid mounting fears that the exodus from plague-infested Surat might spread the deadly disease. Mr Madhusudan Dayal, the health secretary, said the government was "seriously concerned" about the threat.

Mr Dayal, who put the death toll at 44, said the situation was under control and there was no cause for alarm.

However, reports from Surat, a city of 2m people about 160 miles north of Bombay, put the number of dead at over 100, with hundreds more desperately ill. Buses and trains were crammed with people fleeing their homes, ignoring instructions from the authorities not to leave the city. Police were trying to seal off the slums worst hit by the plague, where the first deaths were reported on Tuesday. Many residents stayed indoors, while people in the streets moved about with cloths covered in white DDT powder wrapped around their faces and municipal workers sprayed roads with chemicals.

Doctors in Surat said that at least 24 people had died of pneumonic plague – a particularly dangerous variant of bubonic plague, the Black Death of the Middle Ages. Unlike bubonic plague, which is spread by the bite of an infected rat or of a flea which has previously been infected by a rat, pneumonic plague is air-borne and highly infectious. The Health Ministry in Delhi is trying to determine the exact nature of the disease and had called upon technical help from the US and Russia.

The authorities in Surat are distributing tetracycline, an antibiotic which acts as a prophylactic against plague and is also used in treating the disease. Supplies are also being made at available at railway stations in Bombay and other cities to which Surat residents are fleeing. The government has rushed 10m capsules of tetracycline to the region.

The outbreak in Surat follows another last month in central Maharashtra, where 81 people have contracted bubonic plague in villages hit by an earthquake last year.

Officials have as yet not established any link between the two outbreaks, the first in India in about 30 years. Surat, a wealthy centre for diamond polishing and textiles, attracts many migrant workers. During the monsoon this summer, the city suffered floods which may have helped the disease spread.

A mother waits outside a hospital yesterday to admit her son, suffering from highly infectious pneumonic plague Associated Press

South Africa holds its breath over Zulu split

As Shaka's descendants square up, Mark Suzman looks at the bigger issues around the power struggle

Shaka, the 19th-century founder of the Zulu kingdom, was an African Napoleon who, like his European contemporary, used his military genius to forge a new empire. In the process he caused tremendous political and economic upheaval throughout the southern African region.

As South Africa's 9m Zulus decide whether to observe today's Shaka Day, an annual commemoration of the murder of Shaka by his brothers in 1828, millions of other South Africans will be hoping the occasion does not mark the start of renewed violence in the KwaZulu/Natal province, and, by extension, cause serious damage to the spirit of consensus and reconciliation that has characterised the country's politics since its elections in April.

Although the event has been held since 1954, this year is the first time Shaka Day does not have the blessing of the Zulu monarchy. Earlier this week, King Goodwill Zwelithini announced he was cancelling the ceremonies and called instead for a period of peace and prayer to be observed by Zulus countrywide.

The decision was apparently precipitated after Inkatha supporters stormed the royal palace in Nongoma on Monday night after a meeting between the king, Chief Mangosuthu Buthelezi, home affairs minister and leader of the Inkatha Freedom party which has political control of KwaZulu/Natal, and President Nelson Mandela.

The discussion had been called to resolve a controversy over the king's apparent invitation to Mr Mandela to attend the Shaka Day celebration – a move which Chief Buthelezi objected to, ostensibly on the grounds that protocol had not been followed.

After making his announcement, however, the king set the stage for open confrontation between his supporters and those loyal to Inkatha. Dismissing the king's call, Chief Buthelezi said the monarch had no authority to cancel the occasion, which belonged to "the Zulu nation as a whole".

As a result there is now serious concern that today's celebrations will lead to outbreaks of violence between Zulus honouring the king's cancellation request and those who have chosen to support Chief Buthelezi's stand. In a province where thousands of people have been killed over the past decade in internecine clashes between Zulus loyal to Inkatha and Zulus loyal to the African National Congress, such fears may well be justified.

Prior to the elections, the king had been associated with Inkatha, an explicitly Zulu nationalist organisation that has been dominated by Chief Buthelezi since its formation in 1975. Since April, however, the two rulers have been steadily drifting apart and King Goodwill's attitude to the ANC has thawed notably.

After his Shaka Day declaration, moreover, King Goodwill declared his desire to stay above politics, and dismissed Chief Buthelezi from his honorary role as traditional "prime minister" to the monarchy, apparently replacing him with a former regent, Prince Mcwayizeni Zulu, who is a member of the ANC.

This move strikes at the heart of Chief Buthelezi's power base. For decades he has played on, and largely created, Zulu nationalist ideology to consolidate his own power base. In the elections he ruthlessly exploited tribal fears to drum up support.

Central to this message is the association with Shaka, from whom both Chief Buthelezi, who is the king's uncle, and King Goodwill himself, claim direct descent. Over the years, Shaka Day has evolved into the central focus of Zulu nationalist ideology, and Chief Buthelezi and the king have traditionally presided jointly over the formal ceremonies at the Shaka monument in the town of Stanger.

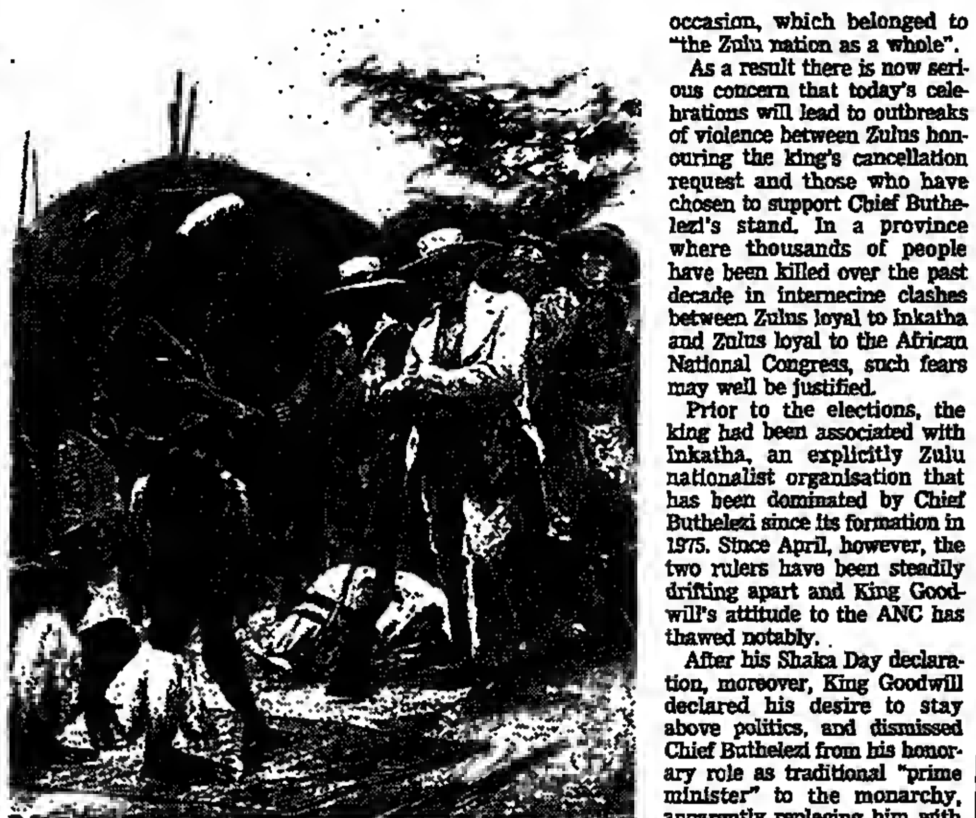
Dressed in traditional leopard-skin robes, and presiding over hundreds of assegai-wielding impi regiments and thousands of ululating women, Chief Buthelezi has traditionally used the event to extol Shaka's greatness, and, by extension, his own as the modern-day successor to the warrior monarch.

By withdrawing from the celebration, the king, as the living embodiment of the monarchy established by Shaka, severely damages the event's credibility. However in doing so, he has played his strongest card, while Chief Buthelezi remains able to use both the regional government and Inkatha's powerful organisational and patronage network to consolidate his support.

As a result, while some prominent ANC-supporting Zulus (not in the past known for their royalist sympathies) have declared themselves in favour of the king's stand, it appears that the chief has so far managed to retain the allegiance of most of the conservative tribal chiefs who comprise Inkatha's core constituency.

Nevertheless, the situation remains fluid and to try and calm tensions, both President Mandela and Mr Frank Mdlalose, KwaZulu/Natal regional premier, have made a public call for all Zulus, whether observing the ceremonies or not, to mark the day as one of "unity and reconciliation".

Meanwhile, the army has been called out to monitor the situation and the king has been evacuated from his palace by national troops and taken to an undisclosed location for the weekend.



King Shaka meets Lieutenant F G Farewell of Britain's Royal Navy in March 1824 (as depicted in the Illustrated London News, 1902). King Shaka asked about King George, about the size of his army, the nature of his government and country, the size of his capital, and the number of his cattle and wives.

Rebuilding work helps Lebanese economy to 8% growth rate

By Mark Nicholson in Beirut

Lebanon's economy has recovered from this year's faltering start and is on course to reach government targets of 8 per cent a year growth, according to Banque de Liban, Lebanon's central bank.

However, real wages remain depressed, prompting protests from labour and other groups, while economists say sustained high interest rates continue to tempt repatriated funds into Lebanese town treasury bills rather than productive direct investment.

Economists at Banque Audi, the commercial bank which is among the first to publish detailed economic data, said that, after reaching 7 per cent in 1993, growth in the Lebanese economy slipped back in the first quarter, recovering only in the second to raise real growth rates during the first half of 1994 to 7.9 per cent.

The bank forecasts real growth of 8-10 per cent for 1994 as a whole. Mr Riad Salame, the central bank governor, said: "From our data, the economy went through a slowdown from August 1993 to April 1994, but has been recovering since May. July and August have been particularly good months."

However, both Mr Salame and other economists warned that there were few reliable figures on the economy since the end of Lebanon's civil war three years ago. Lebanon's reconstituted central statistical department only recently published its first economic data since 1974.

Growth estimates are therefore based on a mix of monetary aggregates, indices such as cement sales, the award of construction permits, port and airport traffic and some industrial and agricultural data.

Construction, in particular, has remained strong, with the latest central bank monthly bulletin showing cement deliveries and construction permits in July up 35 and 20 per cent respectively over the same month last year. However, the bulletin also said: "Excess supply on the real estate market has resulted in large inventories of unsold dwellings."

The bulletin said foreign trade remained sluggish, with imports and exports down 19 and 14 per cent respectively in July from a year earlier. But it said the trade deficit fell by 20 per cent in July after widening by 10 per cent in the first half.

The balance of payments recorded an overall deficit of $27m due largely to an exceptional $135m transfer overseas by Solidere, the property company established by Arab investors this year.

But the bulletin also said strong capital inflows and revived tourism had produced an underlying surplus of $107m. The bank said balance of payments surpluses had averaged $80m a month since February.

Mr Salame said about $10bn had flowed into Lebanon since the end of the war in 1990, the bulk of it repatriated Lebanese capital and Gulf Arab funds. Of this, he said, about $6bn went into Lebanese bank deposits and most of the rest into Lebanese pound treasury bills. He said $3bn had flowed in during the past year, half into T-bills.

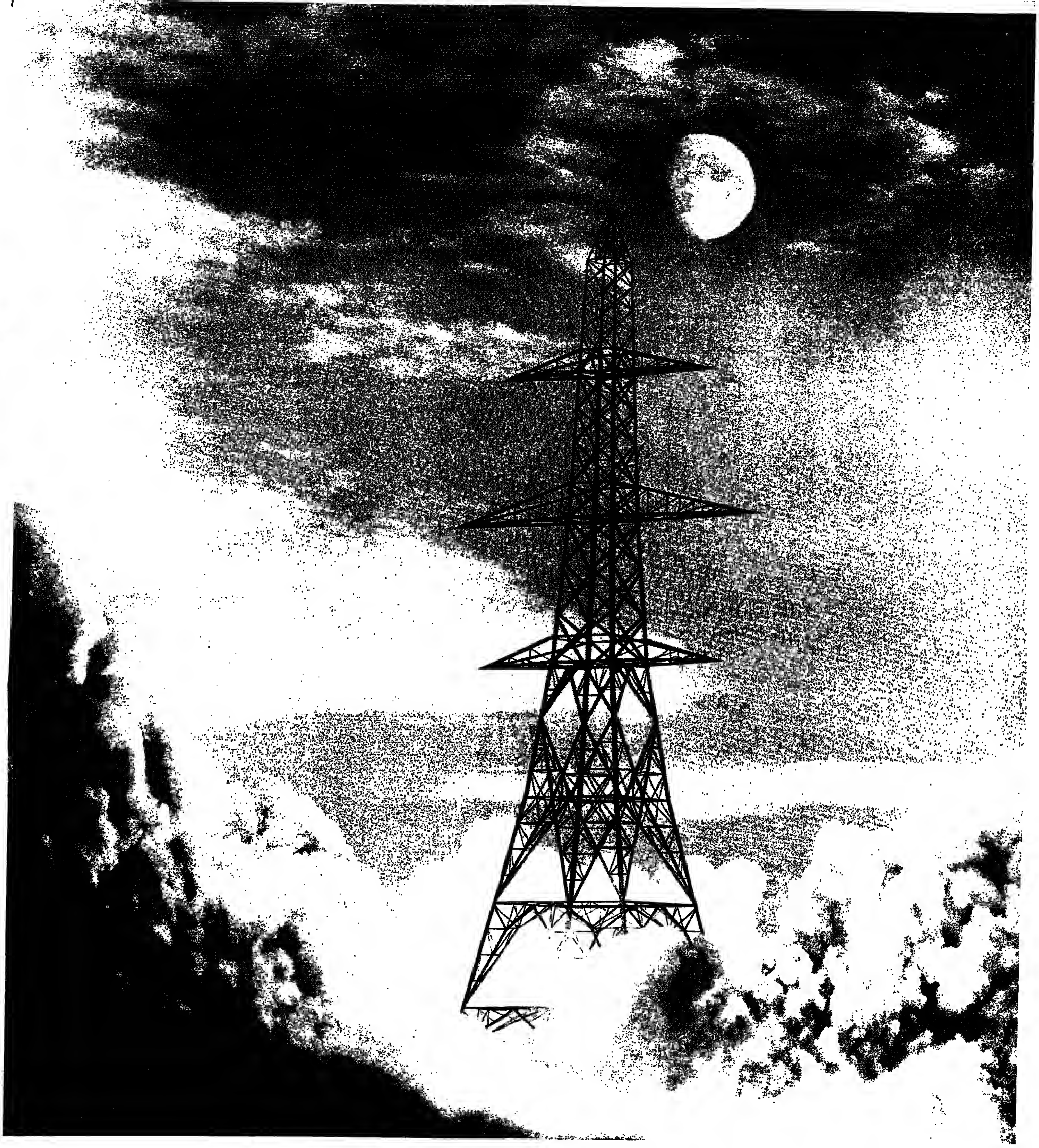
With T-bill rates hovering at around 19 per cent, economists said these would continue to attract significant inflows of cash and interest rates look set to remain high in real terms – with domestic inflation at 10 per cent a year – while the government endeavoured to keep the Lebanese pound stable at about £L1660-1680 to the dollar in an effort to "de-dollarise" one of the Middle East's most dollarised economies.

"We obviously need to have more money flow into productive investment," Mr Salame said. "But we don't yet have the proper infrastructure in place to attract capital into these sectors." He said substantially greater flows of productive investment were unlikely until the completion of some of the multi-billion-dollar infrastructure projects under way and the revival of Lebanon's capital markets as an effective investment intermediary.

So far this market comprises only domestic T-bills and a secondary market in Solidere shares, which have soared from their issue price of $100 to $170 in recent weeks. A stock market committee has been reappointed and is discussing regulatory changes necessary for the revival of a fully fledged Beirut stock market. Mr Salame said he believed the market could begin operations within months, with as many as 10 previously listed companies being traded.

However, the fruits of Lebanon's economic growth are proving slow to trickle down to the bulk of middle- and lower-class workers in the country, whose cause has recently been taken up by labour unions and political leaders in a string of attacks on government economic policies and their reconstruction priorities.

The General Confederation of Lebanese Workers this week said it was seeking a retroactive pay rise of 88 per cent to compensate for recent price rises and the decline in real wages. But Mr Salame said that, while the government realised real wages had fallen, it would resist such pay rises unless they were matched by increased productivity. He said the government was concerned above all to contain the inflationary effects of the recent spurt in economic activity, much of it spurred by the recent award of a host of large infrastructure contracts.



Building societies face structural review

By Alison Smith

A far-reaching government review of the way building societies operate, including bow they are accountable to tha millions of customers who own them, was launched yesterday.

The consultation paper published by the Treasury haa already re-ignited the debate on bow to enable societies to compete effectively in retail financial services without giving them an unfair advantage over other organisations.

Mr Adrian Coles, director-general of tbe Building Societies Association, welcomed the paper with the comment: "Everything is up for grabs except building societies."

As mutual institutions, societies are owned by members rather than being responsible to shareholders.

Tbeir critics - which include Abbey National, the banking group which used to be a society - say that this system nf ownership means boards of directors are not accountable to members in the way boards of public limited companies are.

The Treasury raises the prospect of making societies more accountable through setting up consultative committees of members or requiring societies to reserva some board places for candidates nominated by "ordinary members".

Among the subsidiary questions is whether societies should be able to vary the existing voting system which gives members one vote each – for example to take account of the amount of their business.

In terms of streamlining societies' powers, the suggestions in the Treasury paper include:

- Changing from the current, prescriptive regime to one where societies can undertake any husiness, subject to a principal purpose and certain limits on their asset structure.
- Adopting a two-track approach in which some, probably small, societies continue under a restrictive system, but others could seek agreement to operate within a more relaxed framework.
- Giving societies access to the banking sector by letting them own banking subsidiaries, or by allowing them to convert into mutual banks.

The paper makes it clear that the government does not intend to look again at the statutory controls that make a hostile takeover of a society impossible, but it does consider soma liberalisation nf the arrangements for mergers between two societies.

Bnilding societies generally welcomed the discussion paper, though Halifax the UK's largest mortgage lender, said the relatively slow pace of progress on questions of giving the sector greater powers was "disappointing".

There was a rejection of the idea that there might be a shortfall in societies' answerability to their owners, and building societies expressed misgivings about the two specific proposals for enhancing their accountability. Halifax described these proposals as "a solution in search of a problem", and other societies criticised the idea of a consultative committee as unworkable and bureaucratic.

However Mr Peter Robinson, managing director of Woolwich, the UK's third largest, acknowledged that there was a need for an "attitudinal change" among aocieties which should be readier to help ordinary members who sbowed interest in standing for election as directors.

Mr Peter Birch, Abbey National chief executive, dismissed the paper's accountability proposals. Among his suggestions was that customers should get an annual statement making it clear whether they were members and telling them the value of their membership.

The Treasury intends to complete the review by the end of the year, and has asked for comments by November 9.

Adams to land in US today

By George Graham in Washington

Mr Gerry Adams, the Sinn Féin leader, is due to arrive in Boston today for his second visit this year to the US.

American officials confirmed thet the administration had waived restrictions that would normally have prevented Mr Adams from receiving a visa because of his associations with terrorism in Northern Ireland.

His stay is limited to two weeks, with fund-raising banned. However, Mr Adams'a visa allows him to visit nine cities – on his last visit, in February, he was restricted to New York.

Mr Adama will not be received hy Mr Bill Clinton, the president, or hy Mr Al Gore, the vice-president – unlike Mr John Hume, leader of the moderate Social Democratic and Labour party, who visited Washington this week. Mr Adams will, however, meet senior administration officials and members of Congress – starting with Senator Edward Kennedy at Boston Airport today.

Mr Ken Maginnis, one of the three-strong delegation of Ulster Unionist MPs who also visited Washington this week, said that his party, in spite of some reservations, was not opposed to Mr Adams receiving a visa, "in so far as there is a ceasefire".

Bnt other members of his party were more critical.

Mr Jeffrey Donaldson, UUP secretary, said: "We don't think it's a good idea because there is a danger that Gerry Adams's role la going to be hyped mut nf all proportion ... At the end of the day it's electioneering by Ted Kennedy."

Ulster Unionists said that they had found the Clinton administration even-handed but wanted to sound "a constant note of caution" in Washington becanse "in our view there is a measure of euphoria which is not justified".

Women directors slam big payouts

High compensation payments in sex discrimination cases against the Ministry of Defence and extended maternity leave rights have done more harm than good to women'a job prospects, the Institute of Directors sald yesterday, Richard Donkin writes.

Two-thirds of women directors surveyed by the institute believed that the awards to servicewomen who were sacked after becoming pregnant had damaged women's employment prospects.

More than half thought women's joh prospects had heen hindered by extended maternity rights and pay.

Almost two thirds of the businesswomen said they did not believe equal opportunities for women existed, although the proportion who believed this was less than in 1991 when the IoD last carried out a similar survey. Three years ago three-quarters of tbose questioned thought there was inequality in the workplace.

Portsmouth Water fights price curb

Portsmouth Water is to take its dispute with Mr Ian Byatt, the water industry regulator, over the recent price review to the Monopolies and Mergers Commission.

Earlier this week South West Water became the first water company to call on the MMC to review Ofwat's findings.

Portsmouth, which has the lowest domestic water charges in England, an annual average of £69, has been ordered to hold price rises to 1.5 percentage points below inflation – the third lowest Increase amoog water supply companies.

Rail talks continue over weekend

Talks aimed at ending the three-month railway signalling dispnte are set to continue over the weekend as the RMT transport union and Railtrack, which runs the rail network, negotiate a package of measures to modernise working practices among the signal workers.

During yesterday's 24-hour strike by signal workers an estimated 61 per cent of the rail network was open with an estimated 53 per cent of services operating normally. Plans are still in place for a 48-hour stoppage from midnight on Wednesday.

Competition call on lottery projects

A group representing arts and heritage organisations appealed yesterday for architectural competitions to be held for large capital projects funded by the National Lottery.

The arts and heritage working party, which includes representatives of the Arts Council of England, the National Heritage Fund, the Sports Council and the Royal Fine Art Commission, wants to ensure that buildings for which the lottery contributes at least £1m of capital funds are well designed, well constructed and of high quality.

C&G bid decision

Mr Michsel Heseltine, the trade and industry secretary, has decided not to refer to the Monopolies and Mergers Commission the planned acquisition by Lloyds Bank of Cheltenbam & Glouceater Building Society for £1.8bn cash.

Milk case deferred

A ruling in the High Court on the Dairy Trade Federation's application to seek judicial review of tbe government's plans for the £3.3bn milk market in England and Wales was yesterday deferred to Monday.

Adam Butler

The search continues: prison officers and dog handlers combed Whitemoor jail in Cambridgeshire yesterday after the discovery of semtex explosive and the recent escape attempt by five IRA prisoners

No. 10 rallies to Howard after jail semtex find

By Roland Rudd

The prime minister yesterday made it clear that he would continue to back Mr Michael Howard as home secretary following the discovery of semtex explosive in Whitemoor jail.

Downing Street acknowledged that the incident was a matter of concern for tha government but stressed that the home secretary continued to enjoy Mr John Major's "full support".

However, one minister and several backbenchers privately predicted that Mr Howard may be forced to resign. A senior member of the Conservatives' 1922 backbench committee said: "Unfortunately for Michael [Howard] this is one slip too many. He looks incompetent and may have to go."

Mr John Bartell, chairman of the Prison Officers' Association, called on Mr Howard to resign. "If you worked in one of Britain's prisons today and yon had to face the unchecked criminality, the daily violence and the daily breakdown tu control, I think you would share our sentiments," he said.

Mr Alan Beith, Liberal Democrat home affairs spokesman, urged the prime minister to take control of the situation by replacing Mr Howard as home secretary. The Labour party, howaver, while critical of Mr Howard's performance, stopped short of calling for his dismissal.

Mr Howard said he had no intention of resigning. "I have a job to do and I'm determined to see it through," he said.

His officials made it clear that he would get to the root of the problem at Whitemoor, the Cambridgeshire prison that was the scene of a failed escape by five IRA terrorists and a convicted armed robber this month.

Mr Howard told journalists at Reading University in Berkshire, where he was giving a speech on race relations: "The Whitemoor incidents are being looked at, a fuller inquiry is taking place and I shall be determined to learn every lesson possible to be learned from it."

The bome secretary has faced a series of embarrassing defeats in the Commons this year which have given ammunition to his opponents.

Mr Howard was forced to back down on a proposed shake-up of the criminal justice system involving a big increase in the home secretary's influence over police authorities and the introdnction of contracts for justices' clerks, who advise magistrates.

Conservative peers went on to inflict five significant changes to the criminal justice bill.

In the Commons Mr Howard was forced to promise action against violent videos to head off a widely supported amendment by Mr David Alton, the Liberal Democrat MP.

Balance of payments eases City fears

By Gillian Tett, Economics Staff

Fears that economic recovery might create a serious balance of payments problem were eased further yesterday by figures shnwing a significant improvement in the balance of payments position.

The Central Statistical Office said the UK current account deficit was £0.7bn in the second qnarter of this year, down from the previous quarter's deficit of £1.3bn.

The deficit was considerably smaller tban tbe City bad expected, and economists welcomed it as evidence that the UK recovery was proceeding at an increasingly healthy pace.

Mr Paul Turnbull, UK economist at brokers Smith New Court, said: "A year ago a lot of people were forecasting that tha balance of payments would spiral out nf control. In fact the opposite has happened."

One reason for the improvement was that exports grew steadily in the second quarter while imports fell slightly. Most analysts expect this trend to continue, not least because of the rapid recovery in Europe and other hig export markets.

Tbe other reason for tbe improvement was that the surplus on "invisibles" remained at the same high level in the second quarter. Invisihles cover services, investment incomes and financial transfers.

Altbougb the invisibles account is considered to be notoriously volatile, most City analysts had expected it to fall back in the second quarter of the year after surging suddenly in the first three months.

The surplus on invisibles was £1.7bn in the second quarter, unchanged on the first quarter and sharply up from the same period a year ago when the surplus was £0.2bn.

This flat overall figure, however, concealed a significant shift in the different sectors. The surplus on services fell to £0.8bn, down from £1.2bn in the first quarter, mainly because of a fall in the surplus on financial services. This drop reflected a lower surplus in the insurance sector and some weakening in activity by security markets, the CSO said.

The surplus on investment income, by contrast, rose to £2.4bn in the second quarter, up from £1.9bn in the first quarter and sharply higher than the same period a year ago when the surplus was £0.4bn.

The main reason for the increase, the CSO said, was a large inflow of investment into the UK in the second quarter after a large flow of investment abroad in the firat three months.

Mr David Hellier, UK economist with Nat West Markets, said: "This reflects instability in the financial markets. A lot of people have been repatriating funds and that has dominated the flnws."

Meanwhile, the deficit of lending and borrowing by UK residents other than banks and the government fell considerably to £1bn in the second quarter, down from the high level of £1.7bn in the first quarter.

Tourism body claims 12.3% stake in GDP

By Michael Skapinker, Leisure Industries Correspondent

The tourism industry is far bigger than previous estimates have suggested and produces a balance of trade surplus rather than the deficit reported in government statistics, tbe World Travel and Tourism Council said yesterday.

The council, which was set up in 1990 by a group of travel industry chief executives, said that tourism would account for 12.3 per cent of gross domestic product next year. The travel industry would employ 3.2m people directly or indirectly – 12.4 per cent of the workforce.

The council's figures are far higher than those in the statistics produced by government departments and tourist industry bodies. A study of tourism published by the Confederation of British Industry in May said government figures indicated that the industry accounted for 5.6 per cent of GDP and employed 1.4m people, or 6 per cent of the workforce.

Mr Geoffrey Lipman, the council's president, said previons figures took account of spending on hotels and other tourist services hut did not include travel-related investment, such as building hotels and aircraft.

Mr Lipman said that, taking these industries into account, tourism had consistently produced a hig balance of payments surplus, aided by Britisb-based aircraft manufacture and hotel construction abroad by UK companies.

The council said that, taking these industries into account, the tourism balance of payments surplus was £4.9bn in 1992. This compares with government atatistics which recorded a £3.4bn deficit in 1992. The council shows a surplus for every year from 1987 to 1992 – wben official statistics recorded deficits.

Mr Lipman said the council – whose executive committee members include Sir Colin Marshall, chairman of British Airways, and Sir John Egan, chief executive of airports group BAA – had presented its study to Lord Astor, the tourism minister.

He said the council'a figures showed that tourism was an industry which should enjoy a far higher profile in government policy and decision-making than it did.

Mr Lipman criticised the decision, announced in last year'a budget, to introduce a departure tax of £5 for flights in the European Union and £10 for flights elsewhere. He said that as a successful export industry tourism should receive tax incentives rather than additional burdens.

Company surpluses break records as profits surge

By Gillian Tett

The financial surplus in the corporatc aector reached record levels in the secood quarter of the year, as profits rose to a new high while investment and dividend payments remained relatively flat.

The Central Statistical Office said yesterday that the level of undistributed incomc in the corporate sector was £17.1bn in the second quarter, 5.6 per cent higher than in the first quarter and 52.3 per cent higher than in the same period last year.

The key reason for the rise was a surge in corporate profitability. Company gross trading profits rose to £21.63bn in the second quarter, 6.2 per cent higher than in the first quarter and 22.7 per ceot higher than in the same period a year ago.

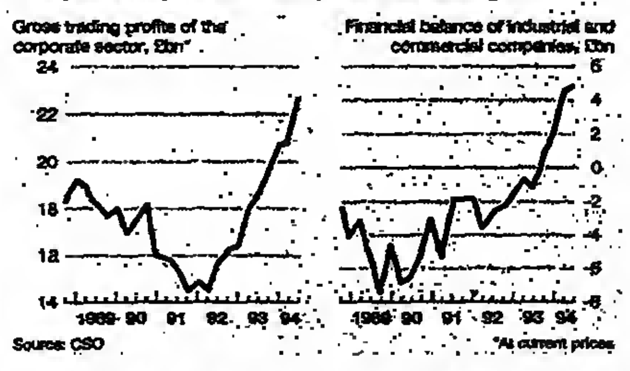
Much of the growth was due to the oil and gas sector, where profits were £2.95bn in the second quarter, 38.5 per cent higher than in the first quarter. The main reasons for the growth, the CSO said, were that new North Sea fields had come on stream and oil prices had risen.

Profitability, however, also rose in the non-North Sea sector, with second-quarter total gross trading profits 1.6 per cent higher than in the first quarter and 17.3 per cent higher than the same period last year.

In spite of this rising profitability, total investment dipped fractionally in the second quarter, partly because of a reduction in public investment projects.

Meanwhile, dividend payments remained helow 1993 levels. Although total dividend payments were 6.9 per cent higher in the second quarter, compared with the first quarter, they were 18.9 per cent below 1993's second quarter.

Corporate profits carry on climbing



Source: CSO *At current prices

Company borrowing, however, fell back in the second quarter, indicating that many companies were using their cash to pay back previous debts.

The level of corporate borrowing from hanks fell to £2.25bn in the second quarter, 23 per cent lower than in the first quarter.

Meanwhile, borrowing from other financial institutions fell to £5.67bn, more than 40 per cent lower than in the first quarter.

Major plays for success all round the political park

Kevin Brown says that cricket cheers in South Africa may find an echo on the prime minister's home wicket

Arms stretched high, fingers stabhing the sky, Mr John Major glowed with pride as cheers rolled around the crowd watcbing him howl at South Africa's Alexandra township cricket ground.

It was a spontaneous gesture that revealed, for a fleeting moment, the human being inside the grey suit. What a pity, Mr Major must be reflecting, that the cheers were only for his cricket skills.

The prime minister describes himself as a "sports nut". Yet he would give up sport for good in exchange for that kind of enthusiastic support for his government, dogged by the fall-out from recession, internal squahbling and ridicule of the ill-fated back-to-basics campaign.

Mr Major is unlikely to be offered a better opportunity to rise above domestic troubles and play the role of world statesman than the six-day official trip to Saudi Arabia, Abu Dhabi and South Africa that ended with his return to London yesterday.

The Gulf visits were largely abont maintaining close relationships with political and business allies, spiced by the promise of defence orders and privatisation consultation fees from the Saudis.

But the South African visit was the first by a British premier since Harold Macmillan'a "wind of change" speech in 1960, which signalled the start of the white government's 34-year international isolation.

Mr Major'a speech, worthy but dull, is unlikely to be remembered 34 years on. But it was well received by most shades of political opinion, and the visit was regarded on both sides as a modest success. In particular, British officials were pleased by clear indications that Mr Major's down-to-earth focus on concrete assistance impressed more than the high-flown but insubstantial rhetoric of President Mitterrand of France, the first western leader to visit after free elections ended white rule.

The most striking aspect of the trip was the absence nf the domestic fireworks that have followed Mr Major abroad on previous occasions. His trip to Japan and Malaysia a year ago, for example, was dominated by the question of his survival as prime minister amid acrimonious bickering between the party's pro and anti-Europeans.

Aides say the prime minister has been buoyed by the success of the UK-Irish peace process and the improved economic outlook, which he believes will deliver two more years of solid growth before the next election. Mr Major mada the economic point strongly in Saudi Arabia, telling British businessmen that prospects were better than at any time since 1945.

Talking to journalists in the garden of the high commissioner'a residence in Pretoria, shortly before leaving for home, the prime minister avoided the temptation to confirm that he believed his premiership was at a turning point. "No wise politician ever says that," Mr Major explained cautiously. But the upbeat tone of the rest of his remarks told a different story, in tune with his relaxed and confident appearance.

"Politics is a series of mantraps," he said. "But there are a series of things we have been doing together for the last four years which are now beginning to come together. People are beginning to see the fruits."

Mr Major's advisers balieve the first political rewards emerged in last week's ICM opinion poll for the Guardian, which put the Conservatives only 12 points behind Labour after adjusting for the factors that ICM believes caused inaccurate polling before the 1992 election.

Significantly, Mr Tony Blair, the Labour leader, also believes the Conservatives trail the opposition by far less than the 20 points to 30 points reported by many polling organisations over the last year.

Mr Major thinks he will gain further support from a successful party conference in Bournemouth next month. There will be criticism – notably over the government's law and order record – but the prime minister's hold on power will not be seriously questioned, for the first time in three years.

Advisers say Mr Major knows there are still many problems ahead. The Northern Ireland peace process could break down, sparking renewed violence; the European issue could return to haunt the government when a bill to increase payments to the European Union is tabled later this year; the truce with the Tory rightwing could dissolve, as a brief spat with Baroness Thatcher over South African economic prospects demonstrated; and the July reshuffle has failed to end the impression of a tired and inept cabinet.

But Mr Major'a position is demonatrably stronger than a year ago. He looked confident in South Africa, especially with his jacket and tie off on the cricket field. Perhaps he should let his hair down more often.

Coal faces renewed dash for gas

By Michael Smith

The threat to coal from other fuel sources was underlined yesterday when Midlands Electricity and three overseas companies said they had reached agreement on financing a 750MW gas-fired power station on Humberside. Construction of Humber Power will begin immediately.

As witb several otber planned gas stations, plans for Humber Power were put on bold after an agreement in February between the electricity regulator and the two largest UK generators to peg prices in the wholesale power pool.

Yesterday's announcement dashes coal industry bopes that the pricing agreement would end the so-called "dash for gas". Furtber gas-fired power stations are also being considered.

British Gas is thought to be considering whether to participate in a 1,200MW station at Seabank, near Bristol, while Eastern Electricity is negotiating on a 350MW station at King's Lynn, Norfolk.

The Humber Power atation alone could displace 2m tonnes of coal e year from the market when it is completed in April 1997. This would rise to more tban 3.5m if the project'a partners build a second phase of tbe station, taking the full capacity to 1,200MW.

Midlands Electricity has taken a 25 per cent stake, investing about £11m on completion in 1997. It forecasts the investment will provide a real post-tax return of more than 15 per cent. The company will also buy 174MW of the station's output.

Midlands' partners are IVO of Finland (30 per cent), ABB, tbe international engineer (20 per cent), and Tomen, the Japanese trading company (25 per cent). IVO will operate the station and ABB will be the turnkey contractor.

Like Midlands, IVO and Tomen have entered 15-year hedging contracts for output from the station. This is the first time that companies other than regional electricity concerns have entered long-term contracts of this nature.

IVO and Tomen said yesterday that they expected to be trading in the power contract market "in due course".

Mr Kari Huopalahti, IVO group director, said the contractual structure which made tbe project possible represented a step forward for power generation in the UK.

Gas will be supplied by Total Oil Marine and Elf Exploration. Project credit facilities of £520m were arranged by NatWest Markets and Union Bank of Switzerland.

PM probed on NHS chief's Bupa job

By Alan Pike,
Social Affairs Correspondent

The government yesterday faced demands to explain whether the prime minister's approval had been given for Sir Duncan Nichol, former National Health Service chief executive, to join the private bealth sector.

Sir Duncan – who left the NHS in March – is to become a board member at Bupa, Britain's biggest private healthcare organisation, which is involved in partnerships with public-sector bospitals.

Mr David Blunkett, shadow health secretary, wrote to the government asking wbether the approval of Mr John Major had been sought and given for "one of the architects of the NHS market-led changes" to join the Bupa board. He said the move appeared to be a "blatant breach of civil service guidelines" on the employment of former senior officials.

The strength and range of reactions to Sir Duncan's appointment sbowed the continuing power of bealth to explode as a political issue.

Opposition MPs and health union leaders accused him of jumping ship, blurring the distinction between public and private provision, and exposing government ambitions to privatise the NHS. But the Independent Healthcare Association, which represents the private sector, congratulated Sir Duncan on taking a "grand step towards a mixed market in healthcare".

Sir Duncan stressed that he believed the private sector could complement the NHS. The central issue, be said, was that if private hospitals attracted more work tbey would do so under public contracts.

"If those who spend the money choose to contract part of the money out to a service in the private sector, they retain control of it," be said on BBC Radio. This did not in any sense undermine the NHS.

Bupa already has some partnerships in place with the NHS, and is involved in discussions with up to 30 hospitals and bealth authorities about further possibilities.

An agreement was signed in the summer witb Bradford Hospitals Trust for Bupa's first big capital project in the NHS – a proposed £2m private-patient unit in the grounds of a public hospital, with the NHS receiving rent based on the unit's revenue and profit. Last month a partnership was agreed between Papworth NHS Trust and Bupa's Cambridge Lea Hospital to pioneer laser heart surgery.

Mr Peter Jacobs, Bupa chief executive, said yesterday: "There are no loaers in co-operation between the public and private health sectors. It is not about privatisation."

He hoped Sir Duncan's arrival at Bupa would belp demonstrate the value of the two sectors working together. "But there is a need for e culture change in parts of the NHS – some people do not like the idea of NHS money being spent outside the public system."

Andersen link with Binder is agreed

By Jim Kelly

Arthur Andersen, the UK's third-biggest accountancy firm, is to join forces with Binder Hamlyn, formerly the eigbtb biggest, after an agreement signed yesterday. A formal announcement is to be made on Monday.

Andersen entered talks with Binder earlier this year after developing plans in secret since last October. It is understood thet the group will have annual fee income of about £500m.

The agreement, which marks one of the biggest consolidations in the profession for several years, will prompt a string of new international partnerships across the UK sector.

Binder Hamlyn, which is expected to retain its name in the new group, will join Arthur Andersen's international grouping and leave BDO International. Stoy Hayward will take its place, leaving a vacancy at Horwath International, whicb will be filled by Clark Whitehill.

Not all the semi-autonomous offices of Binder Hamlyn will be involved in the new group. Stoy Hayward and Grant Thornton have already linked with regional offices of Binder Hamlyn which did not wish to join the new group.

Binder Hamlyn's offices in the London region, Leeds, Mancbester and Newcastle are expected to join the new group. Half the total fee income for Binder Hamlyn comes from the Leeds and London offices.

The move will give Andersen access to about 100 quoted companies audited by Binder. It is understood that the new group will come into operation next month. Former Binder Hamlyn offices which have not joined the group will stop using the Binder name.

Regional donbts about tbe link emerged soon after the initial approach. A managing partner at a regional office said difficulties would occur in terms of the size and culture of the organisations.

Nurses stand firm on pay bargaining

By Lisa Wood, Labour Staff

Representatives of nurses and midwives said yesterday that they remained resolntely opposed to the government's calls to end national pay bargaining – and vowed to continue fighting for an 8.3 per cent increase.

Organisations representing more than 600,000 staff warned that dropping a national award and seeking locally negotiated deals involving National Health Service trusts would lead to widespread turmoil.

Ms Maggie Dunn, chairwoman of the Nursing and Midwifery Staff Negotiating Council, said staff would "vote with their feet", leaving the NHS in droves, while others might take industrial action.

Earlier this week details were leaked of the Department of Health'a evidence to the independent review body whicb recommends pay for nurses and midwives. The department urged the review body not to recommend across-the-board rises but instead to leave employers with "maximum scope" for local action.

The Royal College of Nursing claims local pay bargaining would require the 420 trusts – which cover ambulance, community and hospital services – to recruit thousands of new administrators.

Mr Philip Gray, director of labour relations at the RCN, said: "National pay bargaining machinery is extremely efficient."

Reuter

On call: nurses' representative Maggie Dunn yesterday with joint negotiator Christopber Cardwell

Court backs Nadir plea to block Polly Peck sell-off

By Jim Kelly

A lawyer representing Mr Asil Nadir said yesterday that an interim court order had been made in Istanhul preventing administrators from selling any assets of Polly Peck International in Turkey.

Mr Nadir fled to Cyprus in May 1993 while facing 13 charges of theft and false accounting involving £34m.

The administrators in London yesterday said that they had not seen full details of the order and therefore could not comment on its potential effect on the administration.

However, they added that they thought the move was "the latest in a series of spoiling tactics adopted hy Asil Nadir to delay the progress of the administration". Tbey stressed that the action would not "deter them from their responsibilities to PPI creditors".

Mr Zeki Inanli, representing Mr Nadir, said the interim order had been given by the court at Kucukcekmece, a suburb of Istanbul, on September 16. He said the order was based on the legal opinion that Turkish and Britisb insolvency laws were contradictory and that the PPI administrators therefore had no legal status.

Mr Inanli said that the action, brought by Mr Nadir, aimed to annul all transactions made so far by the administrators in Turkey. He said the case would continue after the interim order. He added that the fugitive husinessman had brought the case because the administrators' actions would have a negative effect on the Turkish economy.

Mr Nadir has run a campaign in Turkey to win public support against the administrators and prevent them from disposing of the remaining PPI companies in Turkey and northern Cyprus.

Among the assets of the now bankrupt fruits-to-electronics conglomerate is Meyna, the Turkisb fruit and packaging business which contrihuted most of PPI's reported profits in the near and Middle East. Last year the privately owned Ozgorkey Group of Izmir, Turkey, was in talks with the administrators to buy the company.

The administrators for PPI – who were appointed in 1990 – are Mr Michael Jordan and Mr Richard Stone from Coopers and Lybrand and Mr Christopber Morris of Toucbe Ross.

Witness tells of Walker quandary

By John Mason,
Law Courts Correspondent

The integrity of Brent Walker, tbe property and leisure group, would have suffered if the company had been forced to announce that profits had been wrongly declared, a former non-executive director said at the Old Bailey yesterday.

Mr Jobn Lewis, a board member for most of the 1980s, was giving evidence in the trial of Mr George Walker, the company's former chief executive, and Mr Wilfred Aquilina, a former finance director.

The two men, accused of fraudulently boosting the company's profits by £17m between 1984 and 1987, deny charges of theft, false accounting and conspiring to falsify accounts.

Mr Lewis said that in the 1980s boom, unlike today, property companies were judged less by their profits record and more hy tbeir total asset value.

He agreed, however, with Mr Peter Rook QC, prosecuting, that the bulk of Brent Walker's property ocquisitions were in the late 1980s. Had the company announced in 1988 that earlier profits had been overstated then the markets' reaction would have been adverse, Mr Lewis said.

Earlier, Mr Lewis told the court bow Brent Walker'a banks always put pressure on Mr Walker to use his personal wealth to back the company's expansion. This occurred in cases such the development of Brighton Marina.

Mr Lewis said he had always opposed this policy, arguing it was wrong for a public company to operate in tbis way.

He said: "Whenever I learnt about it I objected to Mr Walker both on the basis of the company's interest and his own.

"I did not think it was right for a public company with outside shareboiders to need to call un one sbarebolder's resources to support a business proposition.

"It could either stand up or it could not."

Mr Walker ignored his objections. Mr Lewis said: "I thought he was being silly. I told him that many times. His attitude was that the banks required it and that we could not do the deal without him putting up money - to which my returt was perhaps we should not be doing the deal."

Mr Lewis was the last of 71 witnesses to give evidence in the trial.

The jury was told that Mr Aquilina had decided not to go into the witness box to give evidence.

The trial continues on Monday with the prosecution's closing speech. The jury is set tu retire to consider its verdicts on October 17.

Salmond tells government to 'let the people choose'

Ulster-style deal for Scots urged by SNP

By James Buxton,
Scottish Correspondent

The government was urged by tbe Scottish National party yesterday to offer Scotland the same degree of self-determination over its future as it has promised the people of Northern Ireland.

Mr Alex Salmond, SNP leader, said in his keynote speech to the party conference in Inverness that if popular sovereignty was right in the North of Ireland, "how can it be wrong in the nation of Scotland wbere tbe process of change has always been peaceful and always will be peaceful".

He added: "If the London government is not prepared to openly declare that it has 'no selfisb or strategic interest in Nortbern Ireland', then let them declare the same for Scotland and make provision now for the people to choose."

The SNP, which had its 60th anniversary this year, has been in celebratory mood at its conference, following unprecedented success in this spring's regional and European elections. It won control of two of Scotland's nine regional councils and took a second seat in the European elections with a record 33 per cent of the Scottish vote.

All primary schoolchildren in Scotland would be encouraged to learn Gaelic under plans drawn up by the SNP. The conference agreed to a wide range of measures to encourage the language, which is spoken by only 70,000 people – abont 2 per cent of Scots.

Delegates agreed Gaelic sbould bave eqnality witb English in law and be recognised and promoted as e national language. Bilingual workplace signs, Gaelic road signs and a Gaelic radio station were among ideas for promoting the language.

Mr Peter Scott-Wilson from Aberdeen said: "Unless the language ia aupported by a very firm policy it will not be encouraged, it will not grow – and we desperately want Gaelic to grow in Scotland."

Mr Salmond said success had been characterised by total unity in the party that had not always been obvious in the past. "That's the way it's going to be in the next two years [up to the general election] and woe betide anyone wbo attempts to put personal vanity before the unity of his party," be warned.

Mr Salmond told the party it had to represent both the Protestant and the Catholic traditions in Scottisb society. "These traditions have jointly helped forge our national identity," he said.

This was a veiled reference to the party's role in the Monklands East by-election in June wbere it became identified with the Protestants in a campaign that was polarised on sectarian lines.

Mr Salmond compared Mr Tony Blair, the leader of the Labour party – the SNP's main rival in Scotland – with the 18th century South Sea Bubble, when companies were floated on the stock exchange before their purpose was determined.

Mr Blair was "the new southern bubble, floating along on bot air, sound bites and photo-opportunities, the party whose purpose will bereafter be determined".

He said Mr Blair had "taken that extra mile into Tory territory – tbere is nothing to choose between Toryism and Tonyism ". If Labour's commitment to devolution ever became embarrassing in Slough it would soon "join the other junked pledges in the dustbin of Labour policy".

Strategy to ease concerns of business sector outlined

By James Buxton

The Scottish National party is to concentrate on convincing Scots that transition to independence, the party's goal, would be simple and painless. It also aims to lay to rest widely beld misgivings about tbe reality of an independent Scotland.

It will particularly focus on persuading people in the business community that independence would be advantageous.

The party yesterday unveiled a strategy for the two years before the next general election which entails building on the successes gained this year in the regional and European elections. It is currently second to Labour in the Scottish opinion polls with 24 per cent of the vote compared with Labour's 55 per cent.

Its next electoral target will be winning as many councils as possible in next April'a elections to Scotland's new unitary local anthorities, which are to replace the two-tier system of councils in 1996.

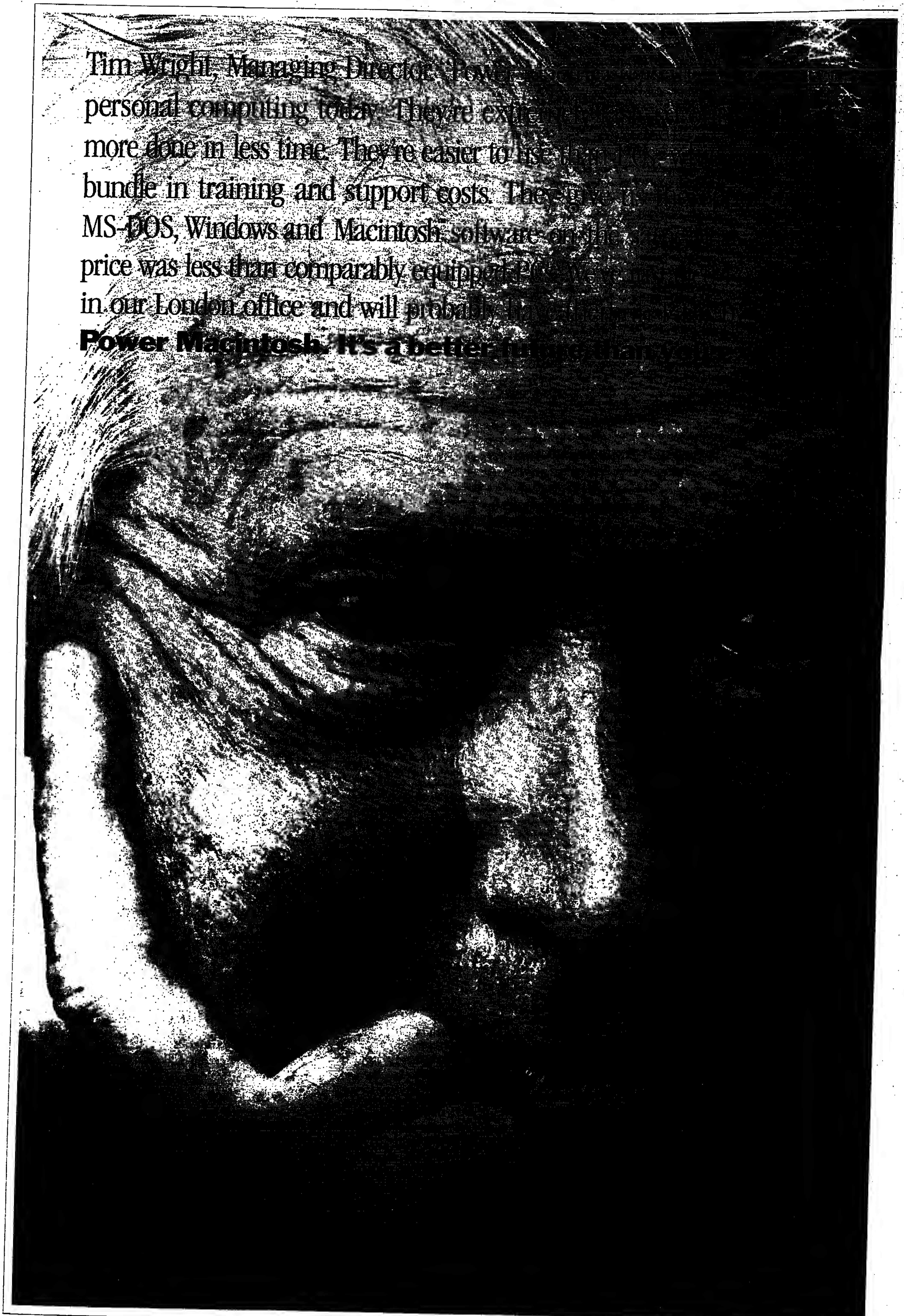
The party is to establish a committee under Mr Allan Macartney, who became MEP for north-east Scotland in June, to devise a detailed exposition of the transition in independence.

The SNP'a opponents have argued that if Scotland seceded from the UK it could not become a separate member of the European Union without difficult negotiations and several years' delay.

A second group will devise arguments and initiatives to reassure sections of Scottisb society about both the transition and the reality of independence.

Few senior figures in the Scottish business community pnblicly support the SNP although the party has support among people in smaller businesses.

Mr John Swinney, the party's puhlicity director, said: "We want to create confidence in the business community that the SNP has a message for them that can be delivered. We may also be able to tailor our policies to their needs on the basis of what they tell us."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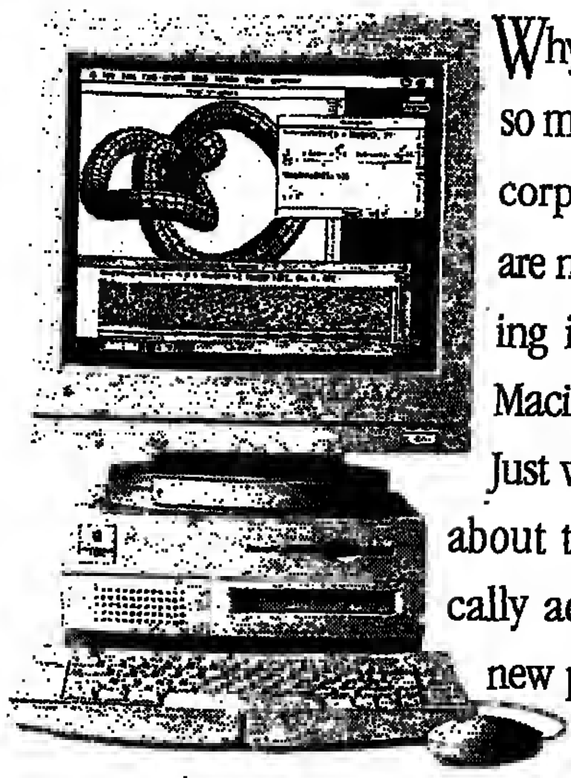

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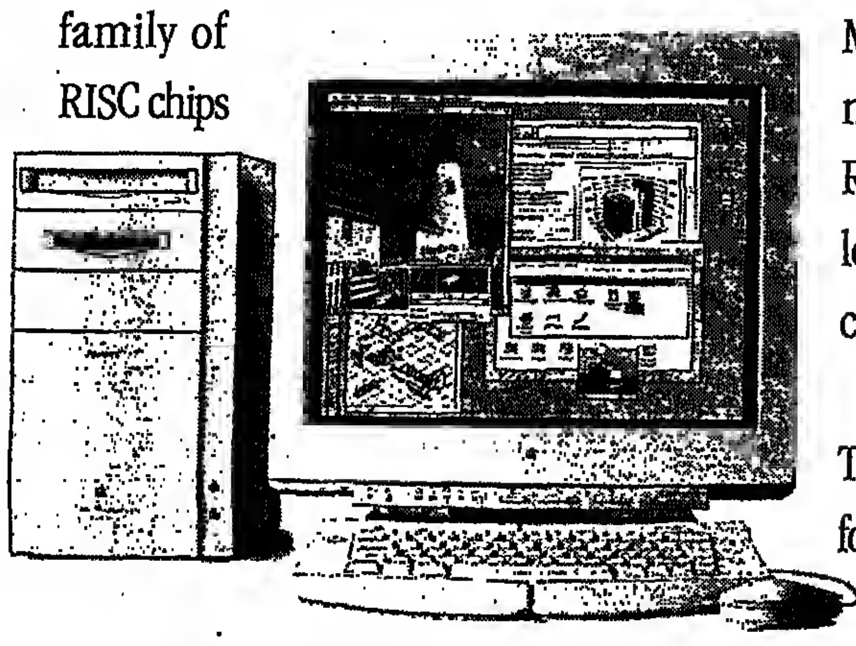

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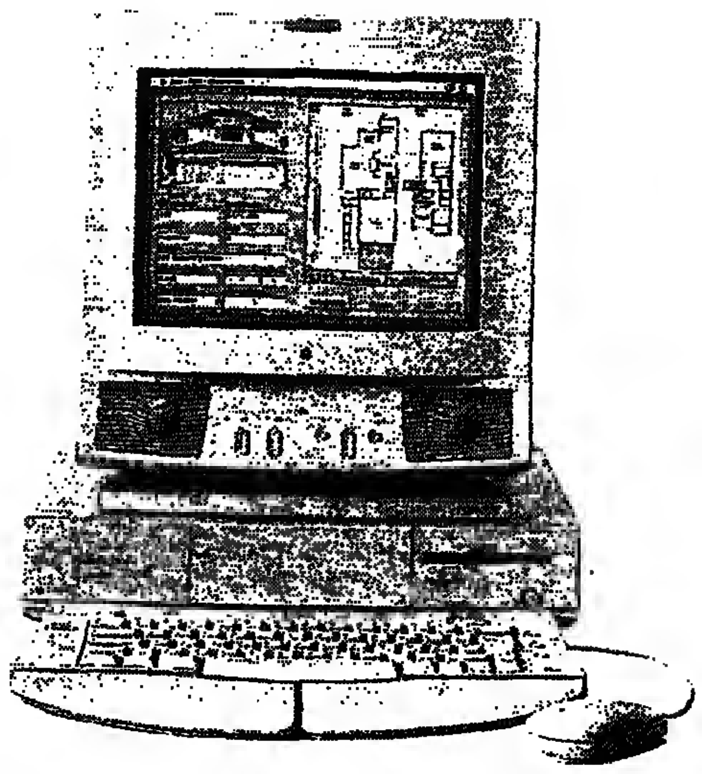

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FINANCIAL TIMES
Number One Southwark Bridge, London SE1 9HL
Tel: 071-873 3000 Telex: 922186 Fax: 071-407 5700
Saturday September 24 1994

An economic evolution

When a species has taken more than 5m years to evolve, it is foolish to expect much to change in a few years. Thus John Major's grand predictions for the UK economy differ little from those of his immediate prime-ministerial ancestor. His promise of a long steady recovery would prove more reliable, however, if the UK economy had since evolved further.

In his speech in Saudi Arabia on Monday, Mr Major declared that the UK "was at the threshold of an economic recovery unlike any we've seen since the second world war". Margaret Thatcher greeted a similar dawn in March 1983, declaring that the UK was "better placed to recover and make good profits and give new jobs than it has been for a very long time. The economy is sustainable."

Uncovering relics of a bygone era makes one sceptical about the scope for rapid human development. Both leaders stood low in the polls, having received little credit for more than two years' slow recovery. If anything, today's embattled prime minister is more cautious: Mrs Thatcher was speaking in the eighth quarter of the early 1980s recovery, while the rebound in UK output growth is now into its 10th quarter.

On the face of it, Mr Major'e optimism also has a more solid basis in the economic statistics. Data released yesterday confirm that the UK grew by 3.8 per cent in real terms in the year to July, significantly above its long-term trend of about 2¼ per cent.

There has been little sign so far that capacity constraints will turn higher growth into price and wage pressures. Retail prices (excluding mortgages) picked up very slightly last month, but the July index was only 2.3 per cent higher than a year earlier.

Wage-price spiral

Similar records were being broken at the time of Mrs Thatcher's pronouncements. Retail price growth briefly fell to an annual rate of 3.8 per cent rate in March 1983, the lowest in 15 years. Low inflation had come at a high price, especially in manufacturing employment, but the shedding of labour and technical improvements were to provide rapid growth in productivity until the middle of the decade. By then, however, the ingredients of a traditional UK wage-price spiral were already in place.

Will the current recovery meet the same fate? Perhaps not. Although the many similarities between this recovery and the last one are too often forgotten, there are clearly encouraging contrasts as well. None guarantees that the "boom and bust" cycle will fail to recur, but this time it might take longer to appear.

The two most important differences are the trend in the balance of payments and the continued slow pace of wage growth. UK exports picked up more quickly after sterling's devaluation in September 1992 than many expected.

A broad range of trade data portray a UK tradeable sector reacting to sterling's fall as the most optimistic textbooks would predict. In the passenger car industry, for example, the volume of vehicles produced for export was up by nearly a fifth on last year's in the three months to July. That compares with a mere 3 per cent rise in the volume produced for buyers at home. The UK consumer of the 1990s is a more calculating beast than his credit-hungry cousin of the 1980s. Although the main component of the recovery to date, consumption growth has been cautious throughout. Recent data suggest even thet momentum may be beginning to run out.

Lower savings

True, yesterday's national accounts data confirm that households have been slowly cutting back on precautionary saving as the recovery continues. But those lower savings merely allowed households to maintain their existing spending, despite the fall in disposable income produced by April's tax rises.

In short, it is difficult to see the seeds of another damaging boom in the developments of the past two and e half years. For the good news to continue, the extra competitiveness won by sterling'e exit from the ERM must continue to be combined with stable domestic inflation. In the 1980s, most of the hard-won gains in competitiveness were distributed as real wage increases, not profits. But if the long-term unemployed are ever to see a real change in the UK economy, this must not happen again.

So far, both employment growth and investment have lagged behind the rest of the economy. The chances that either or both will pick up in the future depend heavily on the stability of the government's macro-economic policy. The commitment to stable and sustainable growth has certainly been vociferously presented. The chancellor, for one, seems determined to tread a slightly different path from that followed by predecessors in similar situations.

Yet an economy enjoying stability is rather less exciting than one driven by over-expanding credit. Wage growth is low and the employed are less sure that their jobs will last. The main risk must be that the politician'a desire to win votes will triumph over hopes that a new species of chancellor has been born.

Boris Yeltsin will need all the balance and ballast he can muster if Russia is to exploit the first signs of recovery, says **John Lloyd**

The high-wire act continues

The drums roll, the curtains (no longer made of iron) part and . . . out of Russia comes President Boris Yeltsin, walking on a tightrope. Russia is a great country for high-wire artists, real and metaphorical. Mr Yeltsin, in Britain this weekend and the US next week, is in that tradition.

He will feel at home with John Major and Bill Clinton: he is as unpopular as they are, probably more so. Mr Yeltsin leads a sullen country, many of whose people feel abused playthings of corrupt or ineffective politicians, rapacious bureaucrats and criminals.

Yet at the same time he presides over signs of revival in parts of the economy: Russia is finally showing that it might realise the promise it has long held out.

Mr Yeltsin's unpopularity is, of course, a price any politician in his job would have to pay, though he may have increased it through erratic behaviour and increasing remoteness.

And the atmosphere in Russia does seem to have changed in the year since the countdown began to the violent confrontation at Moscow's parliamentary White House. On Tuesday, Mr Yeltsin returned from a five-week holiday at his Black Sea *dacha* – punctuated only by a trip to Germany to observe the withdrawal of Russian troops – to find an altogether cooler political climate.

It is too soon, however, to stop worrying about the course of events in Russia. The hot autumn promised by the opposition may yet arrive. Almost every opinion poll shows a turning away from democrats and growing or sustained approval of nationalist and communist themes, if not parties and individuals.

Polling of the electorate in the Moscow suburban constituency of Khimki for a by-election next month shows an electorate whose main complaints are the number of immigrants in their area, the ubiquity of the conspicuously rich and the ineffectiveness of the government.

The opposition has promised to bring down the government in parliament – which re-opens next week – and may use the debate on the budget to do so.

Leaders of harder-line opposition parties have been in conclave. While they evidently cannot agree a common presidential candidate against Mr Yeltsin, they nevertheless have in former vice-president Alexander Rutskoi a passably charismatic figure round whom they could cluster.

Mr Rutskoi and his comrades have little more to offer on the economy than statist controls, a war on crime and credits for all. But their policies do not have to be coherent to prove popular, if they mount a strong campaign.

As if recognising this, Mr William Perry, the US defence secretary, sounded a caution earlier this week. He said the Pentagon's nuclear posture review had concluded there was a "small but real danger that reform in Russia might fail and a new government might arise hostile to the United States, still armed with 25,000 nuclear weapons".

Mr Perry seems to mean what he says: the danger is real but it is seen as small – and official Washington will stress to Mr Yeltsin how pleased it is with US-Russian military co-operation, with joint approaches to Bosnia and the Middle East, and with the progress of economic reform and the evident stability in Moscow.

Nevertheless, Mr Perry's speech shows how much he thinks there is still to be done – and this will be much of the content of the talks between Mr Yeltsin and Mr Clinton.

The US thinks Russia is lagging in reducing its nuclear weaponry, and thet it is lax in guarding it. It will propose that Russia stops making plutonium, builds a new storage facility for the fissile material taken from dismantled weapons, and makes a better count of the weapons it has. Mr Clinton will promise to work on Congress to maintain the "Nunn-Lugar" funds – around \$200m put up to aid nuclear arms reduction – as long as the Russians show willingness to use them.

Russia, however, is resentful of western suspicions. It is also itself suspicious of a Nato, which lacks the constraining presence of the Warsaw Pact at the end of its gun sights, and is giving a broader welcome than Russia would like to its former central European allies.

Mr Yeltsin is likely to use his UN General Assembly speech on Monday to call for a reduction in arsenals other than the superpowers' – which means those of the UK and France. He will raise, with both Mr Major and Mr Clinton, the view that the Conference on Security and Co-operation in Europe is a better vehicle for security than Nato.

But Russian suspicions run deep. Mr Yevgeny Primakov, head of the Federal Intelligence Service (the former first directory of the KGB), argues the military, political and economic re-unification of the former Soviet states (except the Baltics) is now inevitable – and is the only way to safeguard the independence and democratic character of their new regimes.

If, says Mr Primakov, the west acts as if this is a neo-imperialist thrust, the danger is both sides will retreat into *laagers* like those of the cold war. This danger is the greater, says the country's top spy, because the west sees it as in its interests to have a weak and divided space where once the Soviet Union existed – not understanding that a new, non-coercive union is the only guarantee of its security.

Russian politicians are conscious of their diminished world role and thus are more insistent in demanding thet their "sphere of influence" be respected. They are glad the US is trying to set Haiti to rights because they argue that their own backyard – Armenia, Azerbaijan, Georgia and Tajikistan – needs the similar robust policing.

The trouble for the west lies in learning to distinguish between robust policing and undermining.

Ukraine, the other major state of the former Soviet Union, hovers between two possible courses. It could choose a reformist course which would strengthen its real independence. Or it could try to throw itself on the mercy of a Russia which keeps it supplied with cheap energy and provides markets for its low-quality goods.

Russian politicians are increasingl their efforts to conclude comprehensive treaties with Ukraine on a range of issues – including the disputed Black Sea Fleet – while the smaller country stalls, knowing it will deal from a weak hand.

Similarly, Russia responded to the signing this week of an \$8bn contract between Azerbaijan and a group of major western oil companies by challenging Azerbaijan's right to dispose of the contents of its continental shelf. Its challenge may or may not be pushed to the extent of scuppering the deal. Mr Major will want to raise the issue, since BP is the lead contractor – as will Mr Clinton.

Underlying everything, as always, is the economy. Russia's economy looks in better shape than it has since independence. Inflation was down to a monthly rate of 4 per cent in August and the government is holding the budget deficit within the 10 per cent of GDP set by the International Monetary Fund.

Better, investment really is coming into Russia – in two forms.

First, the sheer rock-bottom prices which Russian assets commanded when they were pulled out of state control are proving increasingly attractive to portfolio investors. Even if many of the shares are worthless, investors have concluded that others, especially in the energy sector, utilities and telecoms, are among the world's best bargains. Mr Sergei Alexashenko, the deputy finance minister, estimates that at least \$200m a month is now coming in.

Second, increasing numbers of large, mainly US companies are setting up production bases, including:
- Caterpillar, which is undertaking two joint ventures with Russia's biggest engineering companies, Zil and Uralmash;
- Polaroid, which has seen sales soar as the instant picture craze catches on;
- and Bayer, which has just started making Aspirin in Moscow.

Increasingly, the conventional wisdom is that the reforms are irreversible and that, even if the road is rocky, fortunes can still be made with nerve and patience.

For the government the next stage of reforms – if the IMF and the World Bank put up the \$10bn the Russians want – is to balance budget expenditure and move to stabilise the currency early next year. The gleam in its eye is of genuinely low inflation in 1995, with the beginnings of a strong, broadly-based recovery by the end of the year and rapid growth by 1996, when elections are due.

By that time privatisation of state assets will be all but complete, and it is not wholly utopian to believe that Russia could end the millennium as one of the world's faster growing economies. The delivery of western support to make this vision reality will form part of Mr Yeltsin's discussions in Washington next week, and will be discussed at the annual meeting of the IMF and World Bank.

So the conventional wisdom may be right, and becomes more likely to be so with every day that the situation remains stable. But it is not certain.

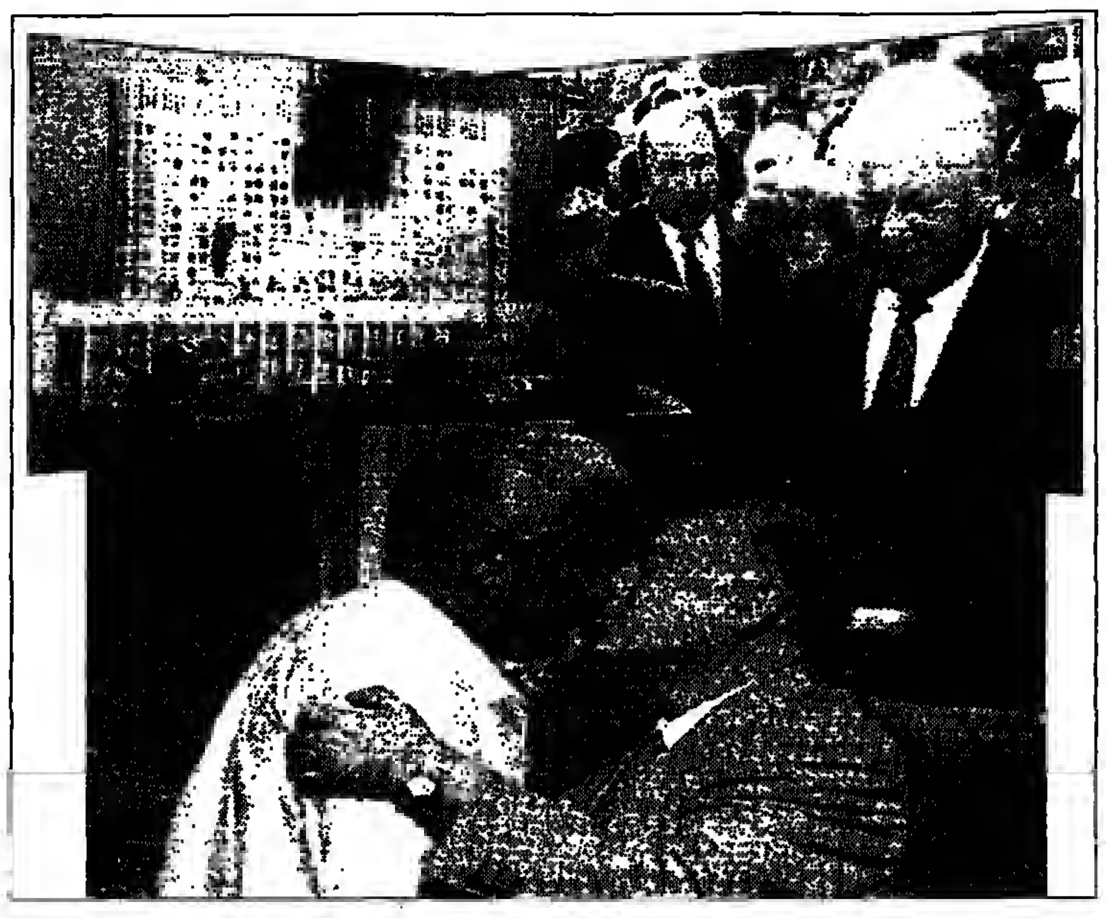
Secretary Perry's "small but real" risk reflects the increasingly resentful section of the populace which feels left aside.

The government has stayed within the limits agreed with the IMF by slashing expenditure on everything, including on commitments like wages. Huge areas of Russian public life – health, social security, law and order, education – are starved of funds, and the bodies responsible for these areas reduced to patching things together, taking bribes or just giving up.

Great Soviet institutions have become ruined hulks. Moscow State University's classrooms crumble; many of its curricula are unchanged since Communist times; its teachers are materially poor – but its students, or some of them, desperately strive for an education.

The Bolshoi Theatre opened its new season on Thursday night with Tchaikovsky's Queen of Spades. The production was antiquated; the costumes less than gorgeous; a huge row raged backstage about money – and the singing was miraculous.

Will Russia make it? Probably, in its own rickety, brilliant, arrogant fashion. Mr Yeltsin must seek to explain that way to his bemused friends, and hope they stick with him on the rocky road yet awhile.



Then and now: top, the Russian parliament, ablaze, and Yeltsin under pressure on the streets of Moscow; below, a relaxed Yeltsin greeting prime minister Victor Chernomyrdin at the president's summer residence in Sochi

MAN IN THE NEWS: ***Gérard Longuet***

Minister in a morality tale

Far from being a source of relaxation, Gérard Longuet's Riviera villa is proving his biggest ever political headache. It could even spell the end of a bright career that some observers were projecting could make him prime minister next year.

Mr Longuet, minister for trade, industry, posts and telecommunications, is the most powerful politician to be hit so far by a growing wave of allegations concerning official and corporate corruption in France.

He is not the only one. In July such allegations led to the resignation of the communications minister. This week there were reports that the sports and youth minister is under investigation for having received money indirectly from pharmaceutical companies when she sat on the health ministry's drug approval committee.

Mr Longuet is suspected by a judge, Mr Renaud Van Ruymbeke, of allowing the building of his holiday house in St Tropez to be subsidised, to the tune of more than FFr1m, by a contractor from Lorraine. The latter has carried out big public contracts in Lorraine, where the minister also happens to be president of the regional council.

In a report to the justice ministry leaked this week, the judge suggested that the contractor may be guilty of "misuse of corporate funds" and Mr Longuet of "receipt" of such funds.

Mr Longuet acknowledges that there may have been a cost overrun, but says the judge has exaggerated it. In any case, he contends that because the allegations do not concern his public responsibilities – in 1989-90 he was neither minister nor president of the Lorraine region – he has no intention of resigning, even if formally charged. The contractor, for his part, says he miscalculated on a FFr2.5m fixed price contract, and therefore he had to pay the difference.

Now, friendly contractors are said to have long had e habit of providing favours for corporate or political notables. But it is a sign of the French public's growing sensitivity to the eppearance – not necessarily the fact – of corruption that the Longuet affair has caused such a stir.

The more moralistic mood started as a reaction to repeated scandals that helped the Socialists lose power last year. It has been fuelled since by a rash of corporate corruption allegations, some of them involving members of a conservative administration pledged to restoring ethics in government.

The Van Ruymbeke report puts Mr Pierre Méhaignerie, the justice minister, on the spot. Under the French system it falls to him to decide whether to have o judge investigate his cabinet colleague.

His dilemma is shared even more acutely by the prime minister. Before taking office, Mr Edouard Balladur claimed the advent of a "liberal" government would help root out corruption by privatising state companies and lessening the links between the state and business. He also said any minister facing formal charges should resign – and this month he set up a commission to report on the ethics of links between politics and business.

On the other hand, Mr Longuet is crucial to the RPR Gaullist prime minister's election strategy for the Elysée next spring. To offset the hold that his presidential rival, RPR leader Jacques Chirac, has on the Gaullist machine, Mr Balladur is counting on his coalition partner, the UDF, to back him in preference to its nominal leader, Mr Valéry Giscard d'Estaing.

So far the strategy is working well – but mainly thanks to Mr Longuet, whose Republicans, with 109 seats in parliament, are the largest component of the UDF federation. He might be rewarded with the prime ministership next year, if Mr Balladur were to win the presidency. But there might be no Balladur victory if Republican sentiment were to change as a result of Mr Longuet leaving government.

Certain new factors dispose today's France towards corruption. One is the trend over the past decade to decentralise more power to the regions, placing more power to award public contracts in the hands of more people.

That more corruption cases are hitting the headlines these days may be because a long-servile magistrature is at last doing its job. That, at least, is the contention of Mr Méhaignerie, who yesterday welcomed the fact that businessmen were at last beginning to fear the law. "Such fear is the beginning of wisdom," he said.

French business's initial reaction to investigetions was indignant. Many captains of industry, and Mr Longuet himself, leapt to the defence of Mr Didier Pineau-Valencienne, head of Schneider, when he was briefly detained in a Brussels prison, without even knowing what the charges against him were.

However, two-thirds of the businessmen interviewed in a recent poll said many companies were indulging in illegal practices and favoured an Italian-style "clean hands" crack-down on corruption.

The Patronat employers federation has now followed Mr Balladur's example in setting up its own study of corporate ethics, the legal responsibilities of senior executives and non-executive directors, business links with politics and desirable changes in the French penal procedure. In a somewhat utopian vein, Mr Méhaignerie yesterday voiced the hope of getting corporate money out of French politics altogether.

Recent years have seen more regulation and transparency in the funding of French political parties. Before 1988 – just as in the US before the 1972-73 Watergate scandals – corporste donations to political parties were illegal, but widespread. A 1990 law placed limits on what companies could give and on what candidates could spend.

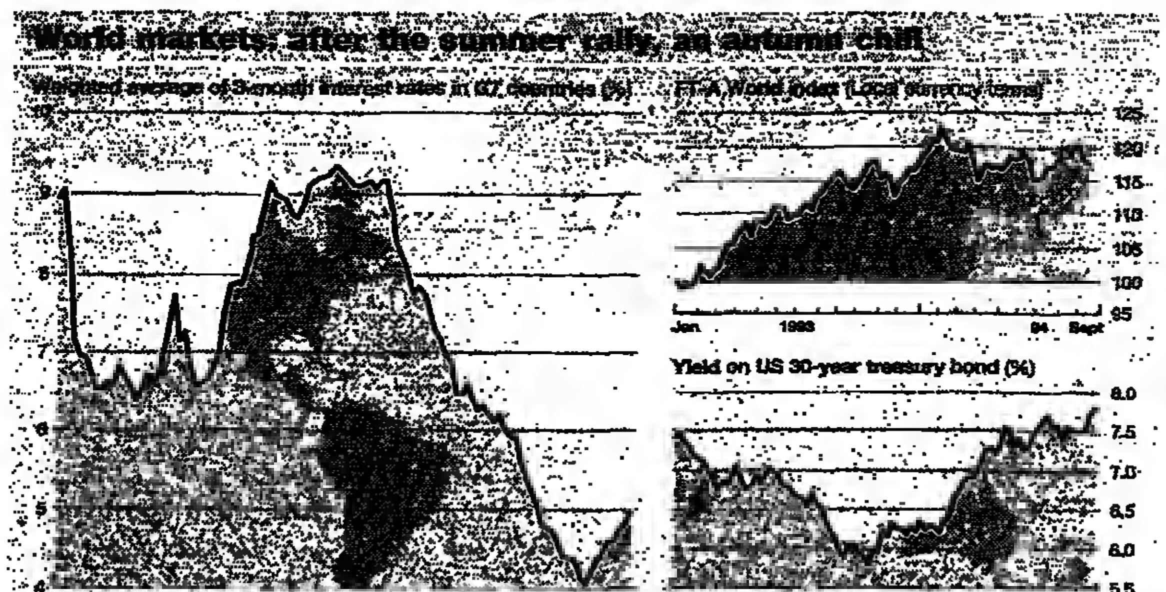
This has been enforced. For exceeding the limit in 1993, Mr Jack Lang, the former socialist education and culture minister, lost his parliamentary seat. As a result, "we have drained some of the money out of politics", says Mr Guy Carcassonne, a Paris law professor who helped the Rocard government design the 1990 law.

Long term, therefore, France may be slowly cleaning up its act. But at least in the coming presidential campaign, corruption is likely to be a big theme.

David Buchan

Season of risk and fearfulness

Philip Coggan explains why financial markets are nervous



Summer is over and so, it seems, is the rally in world equity markets. The Dow Jones Industrial Average, which was close to its all-time high on September 15, suffered its biggest one-day fall for six months on Wednesday.

With the arrival of autumn, traditionally the season for equity market upsets, fears have revived that share prices may be heading for a sharp decline.

As has often been the case this year, bond markets have led the way. The yield on the 30-year US Treasury bond rose to 7.79 per cent this week, compared with 7.49 per cent a month ago and 5.78 per cent at the trough in October 1993. In the UK, 10-year gilt yields are approaching 9 per cent.

Viewed from the perverse standpoint of financial markets, economic growth is the prime culprit for recent weakness. The continued recovery in the US and the UK, the growing signs of a pick-up in continental Europe and the hopes for an improvement in Japan are good news for the populations of the countries concerned. But bond markets dislike strong economic growth, as it usually leads to inflation, which erodes the real value of fixed-income investments. They thus demand a higher yield to compensate them for the additional inflation risk.

Thus the recent rise in bond yields (and fall in bond prices) was sparked by signs of continued US economic vigour. "It had looked as if third-quarter GDP in the US would be quite soft, but a number of recent statistics have shown strength," says Mr Peter Lyon, chief strategist at London securities house Smith New Court. US factories operated at 84.7 per cent of capacity in August, the highest level since April 1989, while August retail sales recorded a month-on-month gain that was larger than expected at 0.8 per cent.

Bond markets have fallen faster than equity markets this year. The result is that, in yield terms, equities look expensive relative to bonds compared with historical averages.

This could simply reflect the possibility that bond markets are overestimating future inflation. If so, bond yields ought to fall to reduce the yield differential. If not, equity yields need to rise substantially – and share prices to fall – to restore ratios to more reasonable levels.

Meanwhile, the view has been gaining ground that the world interest rate cycle has turned – reinforced by the increase in UK short-term rates last week, from 5.25 to 5.75 per cent.

At the start of the year, there was a belief that, while US rates might rise, there was still scope for short-term rates in other countries, particularly in Europe, to fall. But as the graph from James Capel shows, a weighted average of short-term interest rates across the Group of Seven leading industrial nations has been steadily rising since the start of the year. A rise in interest rates is often bad news for equities, because it increases corporate costs and makes holding cash more attractive relative to owning shares.

But is the recent weakness in bond and equity markets a blip, or part of a long-term bear market which effectively began when the US Federal Reserve first raised interest rates in February?

It is possible to construct a bearish argument from two radically different analyses of the economic outlook. The first, and more conventional, view is that inflation will return with a vengeance as the world's economies start to recover. Recent increases in commodity prices, which have caused the Economist commodity price index to rise by 41.8 per cent over the past year, are an early warning sign.

The dividend yield offered by the big equity markets is quite low in historical terms. The Standard & Poor's industrial index yields just 2.41 per cent, compared with an average of 3.6 per cent since 1979; meanwhile the FT-A All-Share yields 3.96 per cent, against its post-1979 average of 4.7 per cent.

While both might be reasonable in terms of current levels of inflation, any inflationary rebound would prompt investors to demand higher yields, forcing share prices down.

The alternative analysis is that the authorities are underestimating the deflationary forces present in the economy, resulting largely from the heavy debt incurred by the corporate and personal sectors in the 1980s. According to this view, the authorities are increasing interest rates too soon, and by too much, which will cause economic growth to slow and corporate earnings to disappoint.

According to Mr Robin Aspinall of broker Panmure Gordon, the sharp fall in interest rates in the early 1990s released a temporary flow of liquidity, boosting narrow measures of money supply and causing money to flow into bonds and equities from cash.

"Businesses, forecasters, politicians and markets have been deluded into believing this wave could last forever," says Mr Aspinall. "It is headed for a wipe out as it eventually crashes against the greater inertia of slow growth and low inflation dictated by the debt background."

Mr Michael Hughes, global strategist at BZW, argues: "There is a great danger that monetary policy is getting too tight. The authorities aren't injecting enough liquidity, and markets are the casualty."

Shares may be trading on price-earnings ratios (the yardstick analysts use to compare share prices to corporate profits) that do not take account of the growth slowdown expected by this school. Only this week, London merchant bank Kleinwort Benson cut its forecast for UK earnings growth in 1995 to 8 per cent. If that kind of forecast is right, a price-earnings ratio of 17.7 on the FT-A All-Share Index makes UK equities look rather expensive.

But most believe any significant downturn in world equity markets would have to start on Wall Street. Mr Hughes thinks there is a strong risk of a crash in the US and "the idea of 3,000 on the Dow Jones [compared with Thursday's close of 3,837] isn't out of the question". He cites the high involvement of US banks in securities lending as a main source of risk.

Others point to the political problems likely to be faced by President Bill Clinton if, as some expect, the Democrats lose control of the Senate after the mid-term elections in November. Although financial markets are no lovers of Mr Clinton, gridlock in Washington would cause uncertainty about the direction of US economic policy.

Some dismiss these fears, arguing that they simply represent the "wall of worry" that all bull markets have to climb. Such optimists see the decline in financial markets as a panic response to inflationary indicators. Despite all the talk of inflationary pressures, the annual rate across the European Union in August was just 3.1 per cent. In the US, the annual rate of inflation in August was 2.9 per cent. Real bond yields (nominal yields minus inflation) are thus extremely high in historical terms.

These yields have risen so sharply, according to Mr Keith Skeoch, James Capel's chief economist, because the peak in short-term interest rates and inflation in this cycle is not yet visible. This has caused investors to demand a higher "risk premium" in return for holding bonds.

"At some point, this premium gets overdone and you get a return to sensibility," Mr Skeoch says. Once bond yields have stabilised, he argues, equities can resume an upward path.

But the bulls may face an early test of their optimism on Tuesday, when the Federal Reserve's Open Market Committee meets in Washington. Former Fed governor Mr Wayne Angell says the committee is likely to push up interest rates by a further half a percentage point. The meeting's outcome will set the tone for what could be a nervous autumn in the markets.

Confusion surrounding the US action in Haiti has not destroyed optimism, says **James Harding**

Democratic heart beats on

The American embassy in Port-au-Prince does not know the code name for the deployment of US troops in Haiti. It might be "Operation Uphold Democracy", or it might be "Operation Restore Democracy". After a week's grilling on the operation, US officials are in no mood to quibble.

The confusion over the code name is indicative of the military operation's ill-defined sense of mission.

In sending more than 10,000 soldiers to oversee the return to power of elected but ousted President Jean-Bertrand Aristide, the US seems uncertain whether bringing democracy to Haiti means working with, or replacing, the existing authorities.

The entrenched legacy of repression in the conservative establishment would make either an achievement. However, when the US forces arrived in Haiti, their operational strategy was still being hammered out.


Haitians, some marvelling at the display of US military gizmos, were beaten up by the police as US servicemen stood idly by

American soldiers, who on Sunday night had been expecting to invade and inflict a humiliating defeat on military leader General Raoul Cedras and "his armed thugs", were on Monday morning required to work with that same Haitian military to assist in the departure of its leadership.

The leaders of the two armies, General Henry Shelton and Gen Cedras, started working out the logistics of their unlikely partnership with US servicemen already on the ground.

But Haiti's law enforcers, described by US President Bill Clinton 10 days ago as "deadly police thugs", were quick to embarrass their new comrades in arms. A group of civilians, some marvelling at US military gizmos and others celebrating the imminent return of Aristide, was beaten up by Haitian police. US soldiers were not allowed to intervene.

By Wednesday night, the Clinton administration had reversed its decision to leave law and order enforcement to the Haitian authorities.

US military officials later acknowledged "some confusion" as "policy evolved in meetings with Gen Cedras", but asserted US forces' constant sense of purpose. Of the changes in operating guidelines, one officer said: "There is no change of mission; there is a change of focus."

The commitment to working with Gen Cedras remains. Last night, US soldiers slept under the same roof as their Haitian counterparts, after moving into the Cap d'Application military base the previous day. In case the combination of restraint and re-education does not produce an armed force that respects democracy, the US is planning a buy-back programme of some of the 20,000 weapons in Haiti.

But many in Port-au-Prince, not least the city's ousted mayor who has been forced into hiding, question the wisdom of working with Gen Cedras's men. "President Clinton just said these people were criminals," said Evans Paul. "He can't send his troops to collaborate with criminals. The Haitian people don't trust these people."

Evidence of the violent crime of the Haitian authorities is distressingly easy to come by. The last anyone saw of Idil Blanc's son, Eric, an Aristide sympathiser, was when he was bundled into a police car 10 months ago.

In the wealthy suburb of Petionville, Mr Bobby Burnette, a US missionary, came home one night to find three people flayed to death by machete at the end of his drive. "The police are cold-blooded killers," he says.

Habits, especially vicious ones, die hard. Haiti's history of political thuggery dates back to the formation of François 'Baby Doc' Duvalier's Tonton Macoute private army, after his election in 1957. "This generation of politicians grew up with the Duvalier philosophy," says Lionel, one of many made redundant since the embargo against Haiti crippled the economy. "If you're in opposition, then you shouldn't be around."

He foresees recrimination in his middle-class neighbourhood, after President Aristide returns: "You've been living on a block, terrorising the people, killing the people, and they know you. Now, you've got no power, no guns. They're definitely going to kill you."

The speed with which popular demonstrations gathered momentum last week, turning from a dancing throng into a leaping frenzy in minutes, brought back unwelcome memories for the city's conservative bourgeoisie.

The Lavalas (flood) alliance of populist movements, which includes Ti Legliz (the little church), gwonpman (farming co-operatives) and the unions, swept Aristide to power three years ago. Last week, it was reviving its biblical rhetoric and gearing itself up to wash away the nation's villains.

But the existence of two diametrically opposed political camps in Haiti did not dampen the euphoria in Port-au-Prince last week. Haiti's democratic heart beats on, people said jubilantly: political violence is a thing of the past. And, anyway, there was the US panacea. "The change has been perfect," said one. "Violence is Haitian history today. The US soldiers are our democrats," said another.

Mr Emanuel Constant, head of the Front for the Advancement and Progress of Haiti, declared that 1994 would be "the year of the ballot, not the bullet".

Speaking outside the front's headquarters in a residential suburb of the city, his words of reconciliation were punctuated by the paramilitaries around him: "Democracy yes! Democracy yes! Violence no!"

Less than a year ago, the same men had stood on the quayside of Port-au-Prince harbour – and blocked the USS Harlan County from entering Haiti to assist in the restoration of President Aristide under the last agreement.

The unkindest cut

David Goodhart on the future of the UK's pay review bodies

Have Britain's pay review bodies outlived their usefulness?

The five bodies – which recommend annual pay rises for one-third of Britain's 5m public sector workers – find themselves in an increasingly uncomfortable position as a result of the government's attempts to hold down public sector pay.

If the recommendations they are currently working on for next year's pay rises are too high, the government is likely to set them aside. If they fall into line with the current pay bill freeze and recommend close to a zero rise their independent judgement will be questioned – not least by the leaders of the 550,000 nurses who this week lodged a claim for an 8.3 per cent rise.

The five bodies were set up in two waves. In the early 1970s, three were set up for leading groups of state employees (mainly men) who did not strike or collectively bargain: top civil servants and judges; doctors and dentists; and the armed forces. The second wave (mainly covering women) followed industrial unrest – the nurses review body in 1984 and the teachers in 1991.

The review bodies are in some ways a hangover from a time when much of public life was arranged by committees of the great and good. The two largest – the teachers and the nurses – are run by, respectively, Mr John Gardiner, chairman of the Laird Group, and Mr Mike Bett, a deputy chairman of BT. These chairmen have a large influence in choosing seven colleagues who – if they pass government vetting – usually sit on the review body for two or three years.

They include retired civil servants, such as Dame Anne Mueller, the former Treasury mandarin, who sits on the nurses review body. There is a sprinkling of experts such as Mr Philip Halsey of the teachers review body who is former head of the now-defunct Schools Examination and Assessment Council. There are also private-sector outsiders, such as Mrs Julia Cuthbertson, news editor of the Financial Times, who is also on the teachers' review body.

> 'We are more subtle and flexible than the annual pay rise figure makes us seem'

The members of review bodies may be unpaid volunteers, but they take on a heavy workload. In September, they start hearing evidence from unions, government and other parties, making their recommendations to the government in January. Throughout the year they commission studies on aspects of pay and performance from their secretariat, the Office of Manpower Economics.

Their reports do more than merely recommend a headline annual pay increase for, say, all nurses or soldiers. They include recommendations on matters such as hours and grading.

The problems arise when their recommendations are incompatible with the government's pay policy.

In 1993-94, the government imposed a 1.5 per cent rise throughout the public sector. The pay review bodies' were asked not to make recommendations, amid grumbling.

This year was the first in the three-year public sector pay-bill freeze imposed in the last Budget. The review body's recommendations for the current year have managed to co-exist with the freeze, although the 2.9 per cent rise for teachers and 3 per cent for nurses were accepted with reluctance by the government.

However, it will get harder as the pay-bill freeze continues. Similar rises early next year or in early 1996 may severely hurt services or lead to a large number of compulsory redundancies if implemented in full.

The pay review bodies are aware of the restraints they are working under but at the same time insist that it is their job to come to an independent judgement about their particular group of employees.

That judgement has been more generous than the government would like. The privileged public-sector workers covered by the review bodies have seen their pay rise 156 per cent between 1981 and 1993, in line with the private sector. The rest of the public sector – mainly civil servants and local government workers – have lagged behind with rises of 123 per cent over the same period.

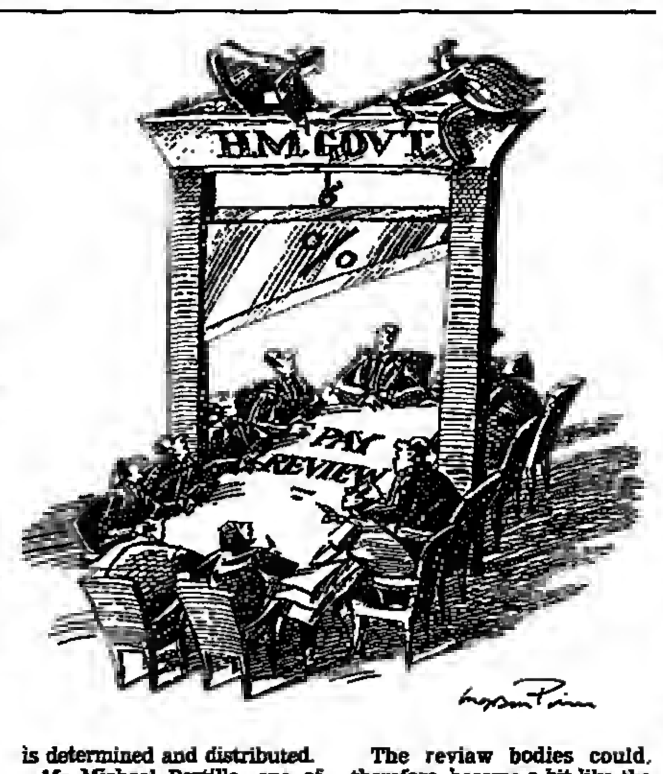
Most review body members are strong believers in setting pay at a rate no higher than that sufficient to recruit and retain the staff required. But inevitably, they sometimes sympathise with those whose pay they set.

"If the government decides it does not like our judgement that is fine, but it should not expect a group of public-spirited people who have given up a lot of time and energy coming to that judgement to shrug and carry on," says one pay review body member.

A full-scale rejection of a recommendation early next year might cause a walk-out, though slightly reducing a recommendation by phasing it in would be unlikely to do so.

Most members of the pay review bodies belong to the establishment and believe that they do an important job. "We are more subtle and flexible than the annual pay rise figure makes us seem, and we would want to argue from the inside," says one member.

One of the government's options for keeping them on side would be to wean the review bodies off the nationwide headline increase. As public sector pay setting is increasingly devolved to local level, particularly in health and teaching, they could be encouraged to concentrate more on the details of how pay is determined and distributed.



Mr Michael Portillo, one of the cabinet hawks on public spending, made this point earlier this year to the Treasury Select Committee. Asked if the pay review bodies were now pointless, he replied that they were not but needed to understand the reality of the pay-bill freeze. He added: "They do a great deal more than arrive at a global figure; they also make useful recommendations about distribution." This is something that review bodies used to do, but have largely abandoned in recent years.

Another option, aired in this year's nurses review body report, would be to ask them to review the pay of nursing staff as a whole, but confine any recommendations to minimum levels only.

The review bodies could, therefore, become a bit like the wages councils that used to set minimum rates in parts of the private sector before abolition last year. Such a role would continue to recognise the peculiarities of the public-sector labour market but remove the review bodies from confrontation with the government.

The alternatives look less attractive: a return to collective bargaining; the introduction of more pay formulae as enjoyed by the police and fire service; or simple imposition of pay increases by managers at local or national level. And if the government wants to keep open the option of restricting strikes in essential services, now is not the time to abolish a pay review system that has proved popular and credible.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Offensive to talk of a vegetarian 'menace'

From Mr Tony Carritt.

Sir, The headline on Giles MacDonough's review of vegetarian books in the Weekend section ("Vegetarian food 'terrorism'", September 17/18) and the title, "The vegetarian menace", on the front page of the FT were gratuitously offensive.

Calling vegetarianism a "menace" and a form of "food terrorism" is perverse in the extreme, given that it is a lifestyle which rejects violence against creatures capable of experiencing pain and suffering. "Food terrorism" is a term more appropriate to describing the systematic abuse of animals inherent in today's factory farm systems of meat production.

As for Hitler, there is a rotten apple in every pile. But demonising all vegetarians because of him is as absurd as making all omnivores guilty of Stalin's crimes.

Plenty of vegetarians have made outstanding contributions to their age: Gandhi, George Bernard Shaw and Paul McCartney among them.

Tony Carritt,
Kapellalaan 21,
1950 Kraainem,
Belgium

UK must define view of EU democracy

From Mr Graham Allen MP.

Sir, European democracy needs to be put on an open and clear footing and, as your editorial "Agenda for Euro-reform" (September 20) argued, the 1996 inter-governmental conference will provide the occasion for this.

The framework of the EU's institutional relationships needs to be defined so that every European citizen can understand them without the "guidance" of the executive of the respective nation states. The current maze of powers, treaties, directives, institutions and interests serves only to confuse. In effect, the current EU is the pooling of executive sovereignty by the governments of the nation states and this, or better still the structure of a more democratic form, needs to be clarified by being written down.

At the 1996 IGC a written European constitution will be formulated. Work on this is already going on across Europe. It will not be enough for the UK to wait on the sidelines for a European Parliament or a Commission version of a European constitution and then merely to criticise it. We must define our own principles for Europe and its institutions based on the concepts of subsidiarity, democracy and accountability, so that the European Union can develop as a set of more open and democratic organisations.

In reflecting the views and wishes of all the peoples of Europe it will not only enhance its own relevance but also take its place as part of the pluralist democratic settlement in the UK itself.

Graham Allen,
shadow home affairs minister,
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Hijack by the theorists

Dr D P S Smith.

Sir, I read with interest Lisa Wood's recent article ("Inspectors attack 'narrow' work-based qualification", September 14) and while I agree that the underpinning knowledge required for some national vocational qualifications needs to be reviewed, in hairdressing (one of the first NVQs) there is ample knowledge and understanding built in.

I remember it was not so long ago that employers complained that potential employees had the theoretical knowledge but had not been taught the practical skills to do the job! Certainly in hairdressing the previous qualification required far too much theoretical knowledge which was inappropriate.

I agree with the concluding comments by Dr Melia, the Further Education Funding Council's chief inspector, that more attention should be paid to both underpinning knowledge and assessment in the workplace. However, there is a great danger that the academics will hijack NVQs and take us back to the bad old days of "know all the theory but can't do the job".

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Complicated pensions solvency requirements a waste of time

From Mr H R Wynne-Griffith.

Sir, You report, "Workers at Swan Hunter face cut in pensions" (September 20), that the Swan Hunter pension scheme is technically solvent, yet can cover only 60 per cent of its members' pensions.

Under the government's current proposals, this would have meant Swan Hunter being required to put many millions of pounds into the scheme within a three-month period – probably impossible for a company in such dire straits.

No amount of legislation is going to make a financially unsound employer put money into a pension scheme, and the sooner the government recognises this the better. Then it can get on with the real job of drafting clear and simple requirements for employers to tell employees when their pension scheme is going awry.

The government should stop wasting taxpayers' money in trying to design complicated solvency requirements that will at best be useless and at worst be damaging in terms of increased pension costs, following what will effectively be government-dictated investment policy as clearly explained by Barry Riley ("New benchmark worries UK pension funds", September 21).

H R Wynne-Griffith,
partner,
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Tiphook meeting not just preoccupied with directors' pay

From Mr Edmond Jackson.

Sir, As a shareholder present at Tiphook's annual general meeting, it was good to see the FT ("Bankruptcy threat to Tiphook's Montague", September 16) report it less sensationally than other newspapers. However, you still emphasised controversial matters like the chief executive's personal finances and directors' remuneration. These are quite pertinent but not the whole story.

The board affirmed that trading was improving trading and that its bankers remained supportive. That a director of Ian Clubb's calibre has agreed to become chairman and expressed his full commitment to the company's new future as Central Transport Rental Group is also encouraging.

But when an AGM becomes a media circus of whipped-up emotions, objectivity is lost. It became hard to ask basic questions on Tiphook's future. Mounting hysteria could also adversely influence its customers and creditors.

The press are often shareholders' best allies in the drive to improve boardroom disclosure and accountability. Such a purpose must try and set companies on a better path, not create additional problems for those facing high risks.

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Lower interest and finance costs contribute to a 29% advance

Hepworth at £35.6m midway

By Christopher Price

Hepworth, the building materials and boiler group, reported a 29 per cent rise in half-year pre-tax profits from £27.5m to £35.6m, although the figure was flattered by lower interest and finance costs.

At operating level, profits to 30 June rose marginally to £37m (£35.8m). Mr John Carter, chief executive, cautioned that the group's markets would remain tough for the rest of the year.

Turnover edged up 2 per cent to £338.6m (£331.9m), while earnings per share rose 12 per cent to 10.2p (9.1p).

The interim dividend is maintained at 5.5p.

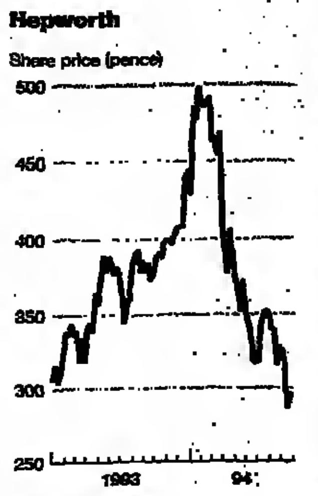
In the UK, which accounts for 60 per cent of the group's sales, operating profits were 14 per cent ahead at £21.3m (£18.7m) on turnover 9 per cent higher at £202.1 (£184.6m).

Building products sales increased 10 per cent, with the new house market providing strong support. The home products division saw sales growth of 7 per cent, with a firm performance from the gas boiler business offset slightly by weakness in garage door sales.

Operating profits in the refractories business fell 43 per cent to £2.1m (£3.7m) on turnover down 9 per cent at £63.9m £70.3m). Mr Carter said: "This is our toughest market by far but we are taking steps to broaden our market base." He added that North America and the Far East were being targeted. To this end, the company had recently signed an £11m contract in Taiwan to provide stove linings.

The French boiler division, Saunier Duval, experienced mixed trading, profits improving slightly to £13m, compared with £12.5m, on turnover down marginally at from £102.4m to £99.3m. Stable glass sand sales and firm foundry product sales helped mineral and chemical division operating profits increase from £3.5m to £5.2m on turnover up from £34m to £37.5m.

Hepworth



Source: FT Graphite

Mr Carter said: "Our strategy is to infuse each of our operations with new ideas, products, innovations and investment and we intend to use our strong balance sheet imaginatively. It's a long-term slog, but eventually the success of these initiatives will outweigh the difficulties."

● **COMMENT**

The fear for Hepworth is that one or more of the group's businesses – refractories the obvious candidate – will continue to act as a drag as the recovery gathers pace. Management dismisses talk of slimming down and insists investment is the key. Hepworth's latest contract successes in refractories would appear to support this view. The shares are currently on a market rating and analysts' profit forecasts of around £74m for the full year would keep them there and slightly ahead of that of the sector. While the yield – one of the highest in the building materials sector – is likely to support the shares, the downside would appear limited.

Small companies confident on growth

By Peggy Hollinger

Small companies remain confident about their growth prospects, in spite of inflationary pressures and impending tax increases.

A survey of 405 senior executives around the country showed 57 per cent were more optimistic than just three months ago.

The survey, "A View from the Boardroom", was sent to more than 1000 executives at companies with market values of less than £320m. It was the second six-monthly survey by the investment bank, SG Warburg, and carried out in August and September.

Although confidence levels were slightly lower than before, Warburgs says the outlook is still bullish. Small companies were expecting strong growth in exports and 46 per cent reported order books between 1 and 10 per cent ahead of just three months ago.

While demand was still a significant constraint, companies were beginning to experience a squeeze on capacity. Almost half expected to increase capital spending in the next year.

Price rises were still difficult, with just 22 per cent planning increases in the next three months. Pressures from higher raw material costs would have to be absorbed through greater productivity.

Warburgs remains optimistic about earnings potential for small companies. Mr Richard Hickinbotham, small companies analyst, said companies were looking for healthy increases in operating margins, in spite of the pressures. He forecast earnings growth of 16 per cent this year, excluding companies expected to move from loss into profit.

Allied Leisure £30m in loss after restructuring

By Richard Wolffe

Allied Leisure yesterday announced pre-tax losses of £30.1m for the 48 weeks to June 19, after withdrawing from its nightclub businesses to refocus on its ten-pin bowling operations.

The company blamed the deficit, which compared with a £2.94m profit for the previous year, on write-downs of £12.65m, losses on closures of £11.51m and restructuring costs of £4.41m.

A year of board upheavals continued with the appointment of Mr Ken Scobie as part-time chairman, replacing Mr William Davis. Mr Scobie resigned as chief executive of Brent Walker, the property and leisure group, in January 1993.

Allied is still seeking a chief executive after Mr Richard Carr resigned in March.

Yesterday's results were for a shortened 48-week period, in order to announce the sales and finance arrangements.

The company's half-year writedowns and provisions had breached its banking covenants, but the banks have now agreed to extend facilities to September 19 next year on the basis that Allied sells three nightclubs and grants options in respect of 2.25m shares.

The sale to Rank Leisure of the clubs, in the Bournemouth and Poole area, raised £4.5m which will be used to cut borrowings of £13.7m.

Mr Scobie said: "I think we are in a situation where the company has taken its medicine. What we now have is a core business of bowling allies.

"I think the only resemblance between Brent Walker and this company is that they are both listed in the leisure sector," he added.

Turnover fell from £24.8m to £22.1m, and operating profit declined to £452,000 (£3.96m).

However, Allied's remaining operations produced pre-tax profits of about £2m. Like-for-like bowling sales fell by 10.5 per cent across the year, but the decline slowed down in the second half.

Net interest payments were cut to £1.33m (£1.64m) and gearing stood at 67 per cent.

The directors declared no dividend (3p) and losses per share were 45.49p, compared to earnings of 5.22p.

Alpha Airports maiden interim on rise to £11.3m

By David Blackwell

Alpha Airports Group, the airline catering company floated by Forte in February, is paying a maiden interim dividend of 1.6p a share.

Earnings moved ahead from 4.71p to 5.31p in the six months to the end of July. Pre-tax profits were 6.6 per cent higher at £11.3m (£10.6m) on sales 11.9 per cent ahead at £232m (£208m).

The shares, priced at 140p for the flotation, eased 4p yesterday to close at 158p.

Mr Paul Harrison, chief executive, said the dividend reflected group confidence in the full-year outcome and "a very sound performance."

The sales increase was driven by the retail trading division, which operates shops at airports and now accounts for more than half group turnover. The division's sales rose from £102m to £124m, mainly on the back of a new contract at Gatwick and good growth at provincial airports.

However, margins were tighter and operating profits were only just ahead at £3.3m (£3.2m).

The in-flight catering division lifted sales from £106m to £109m. Overall margins were unchanged at 7.7 per cent, while operating profits were ahead at £8.4m (£8.1m).

In the UK the charter market accounted for 30 per cent of sales, up from 26 per cent previously. Cost cutting on scheduled short haul and domestic flights was reflected in a reduction in the catering spend per passenger. UK operating profits eased from £6.6m to £6.4m.

Operating profits were ahead in Europe from £1.2m to £1.9m, while in the US they fell from £300,000 to £100,000, mainly reflecting a shortfall at a new kitchen in Newark that is not yet covering its fixed costs.

The results include a contribution of £200,000 from joint ventures in Trinidad and Australia.

Capital investment, excluding the joint ventures, was £10m. It is expected to reach £13m for the full year – a figure seen as exceptional following completion of several facilities.

Net interest payable fell from £700,000 to £600,000. Borrowings were reduced from £28.8m to £18.4m, cutting gearing to 49 per cent from 82 per cent at the time of the float.

Paul Harrison (left) and Rodney Galpin, the new chairman: now celebrating the catering group's confidence in the full year.

Joseph Holt pulls ahead 5% to £4m

By Peter Pearse

Joseph Holt, the Manchester-based brewer famed for some of the least expensive real ale brewed in the UK, lifted pre-tax profits by 5 per cent from £3.82m to £3.99m in the six months to June 30. The shares declined 75p to £36.75.

Mr Richard Kershaw, joint managing director, said the "very conservative" company was "not over excited" about the outcome – struck on flat turnover at £13.7m (£13.6m) – but said the Manchester market had been difficult in the last year.

He suggested the area had entered the recession later and would emerge later, adding that high unemployment levels would continue to hamper trading growth.

He said that there had been some improvement in the hotter months of July and August.

The company sells a pint of bitter for 96p and mild for 90p. Mr Kershaw said there had been a 1p increase in retail prices though none in wholesale. He explained that Holt managed to sell beer so inexpensively because it had large managed houses – 96 of the total 108-strong estate – within a 20-mile radius of Manchester and that it did no advertising.

It planned to open one or two new pubs a year and had recently built its first new pub in the centre of the city for 20 years.

Earnings per share grew to 87.8p (84.58p) and the interim dividend is raised to 12p (11p).

Franklin defends Body Shop stance

By Andrew Jack

The US ethical fund that triggered a fierce debate over the activities of Body Shop International over the last few weeks has concluded that some of the criticisms against the company were justified.

In a long-awaited article in its Insight magazine, Boston-based Franklin Research & Development Corporation said there was a gap between Body Shop's "image and its reality" and called the company's response to criticism bombastic and offensive.

It also stressed that Body Shop's problems were "quite correctable" and that it was "currently making improvements in almost all areas".

Franklin added: "Through clever public relations, the Body Shop has carefully cultivated an image which is inconsistent with the company's sometimes less than impressive performance."

The assessment stands in stark contrast to the conclusions of other organisations such as Eiris, the London-based ethical investment research service, which suggested recently that the criticism directed against Body Shop was unfair.

News that Franklin had recommended clients to sell Body Shop shares, backed by its disposal of 50,000 shares held on behalf of clients, helped precipitate dozens of media articles and contributed to a drop in the share price which has fallen since mid-August from 242p to close yesterday at 206p, up 6p.

Franklin said it had learned from the experience of the last few weeks to be "more diligent in checking company claims" and expressed frustration that Body Shop had refused to provide information to those trying to verify its claims.

It said the company's overall record of environmental auditing and disclosure was impressive, but called on it to state the source of the ingredients in its products on their packaging.

It said the language the company used to describe its "Trade not Aid" activities "still requires revision if it is to truly reflect the scale of the projects it supports".

Ms Joan Bavaria, president of Franklin, said yesterday that it had not given the company an overall rating, and that while it was still not recommending clients to buy the shares, it "would certainly entertain buying the stock again in the future". Responding to the criticism Body Shop said: "Franklin's major criticism is that we defend ourselves too aggressively. We strongly, of course, disagree.

"When it comes to protecting our company, our shareholders and our reputation we will continue to act quickly and forthrightly."

Body Shop added, "By devoting a whole issue of their newsletter to us, they're subjecting us to a level of scrutiny they would not reserve for their other investments.

"Show us other UK firms that are doing as much as us. At least we're trying. We're highlighting the issues."

Utd Breweries in buy ahead of restructure

By David Blackwell

United Breweries, the financially troubled USM-quoted company controlled by Mr Vijay Mallya, is to buy a private company operating 70 public houses. The deal will more than double the number of public houses operated by the group.

The shares, which were suspended yesterday at the company's request, were ahead 1¼p at 8¾p.

Shareholders will next week be asked to approve a plan to restructure the group's debts of £9m, held by four banks. It is likely to involve writing off at least £2.5m of the debt.

Last April the group breached its banking covenants after a £7.2m write-down in the value of its 78 public houses. A restructuring proposal put together in July fell through.

Yesterday the group said it intended to restructure its debt and inject substantial capital by issuing shares to a big new investor, accompanied by a non-underwritten issue of ordinary shares to existing shareholders.

"It is likely that any issue of new ordinary shares will be at a price substantially below the current market price," the group warned.

£11m marine protein expansion by IAWS

By Caroline Southey

IAWS Group, the Dublin-based food and agricultural company, yesterday made a £11.2m recommended offer for a Scottish fishmeal and fish oil manufacturing company.

Mr Philip Lynch, chief executive of IAWS, said the acquisition of United Fish Products would more than double IAWS's marine protein interests making it the leading producer of oil and marine protein in the UK as well as one of the four largest producers in the European Union.

UFP has a processing plant in Aberdeen and manages processing companies in the Shetland Islands and Grimsby.

IAWS is making the offer through a subsidiary, Braemar Fish Products, which is offering £26.50 for each share in cash or loan notes.

In the year to September 30 1993 UFP's pre-tax profits rose 47 per cent to £737,000. Net assets at completion would total £8.7m.

IAWS has acquired other fish oil and fishmeal businesses in the UK in recent years, including the fishmeal business of Nordos, an offshoot of British Petroleum.

Mr Lynch said the acquisition would bring benefits of scale in technical sales and marketing as well as research and development in process and product areas.

US link for Inchcape insurance offshoot

By Richard Lapper

Bain Hogg Group, the insurance broking group owned by Inchcape, the motors, marketing and services concern, is planning a strategic alliance with Acordia, the Indianapolis-based company which is the world's eighth largest insurance broker.

The move follows Inchcape's takeover of Hogg Group earlier this year, which created the world's seventh biggest broker and signalled Inchcape's ambitions in the sector.

Bain Hogg also said it had entered into talks to sell its brokerage operation, Bain Hogg Robinson, to Acordia. The alliance would allow the two groups to offer an improved international services to clients, drawing from both Bain's strength in Europe and east Asia and Acordia's position in the US.

Acordia, a network of companies providing insurance broking, managed care administration and consulting services, had revenues of $258m (£163m) in 1993. Health insurance, including managed care services, accounted for 51 per cent of its gross revenues.

Acordia has grown rapidly in recent years from its strongholds in the southern and mid-western states. It acquired American Business Insurance in 1993 and Seattle-based Pettit Morry earlier this year.

Apta Nursing in reverse takeover of Midland Assets

By Richard Wolffe

Apta Nursing Services, which operates 13 nursing homes in the West Midlands and Berkshire, yesterday announced a reverse takeover of Midland Assets, the nursing home group.

Midland conditionally agreed to acquire 39.7m ordinary shares and is raising £2.5m of new working capital by way of a 1 for 3 rights issue of 18.9m shares at 17p.

The group, to be renamed Apta Healthcare, said it would use the capital to "develop the business", including further acquisitions.

The takeover increases the Apta's number of beds by 34 per cent to 628, rising to 898 by April 1996.

Existing shareholders will be offered a bonus issue of warrants on a 4 for 5 basis, exercisable at 15p.

Guinness Mahon has agreed to make a standby cash offer for 75 per cent of Midland holdings at 19p per share, including the forecast interim dividend, rights and warrants.

Midland forecasts an interim dividend of 0.4p per share and a final of 0.5p. Pre-tax profits for the six months to October 31 are expected to be no less than £62,500 (nil).

Apta's pre-tax profits for the six months to October 31 are expected to be no less than £367,000 (£256,000).

Midland's listing was suspended yesterday, with dealings expected to restart on October 18. The company was created in May to acquire four nursing homes from Northern Leisure for £1.9m.

The new company's chairman will be Sir David Rowe-Ham, currently at Apta.

Mr Trevor Price, chief executive, said the group's strategy would be to expand its activities in the sub-acute care sector, which commands high fees of up to £1,000 a week.

The impact date is set for September 22, with an extraordinary meeting on October 14.

Stadi Varios £250m plan for Wembley

By Simon Davies

A rival consortium, led by Stadi Varios, will apply on Monday for planning permission to reconstruct one of the world's most famous football venues, Wembley Stadium.

The move will come in spite of the fact that the heavily indebted existing owner of the "venue of legends", the Wembley company, is already holding a financial beauty parade for a restructuring which would enable it to retain its principal asset.

The company's hold on Wembley stadium is being challenged by a consortium formed by a private stadium company Stadi Varios, which claims to have financing prepared for the £250m project.

Mr Patrick Nally, who founded Stadi Varios, claims the stadium is "well past its sell-by date". He proposes to retain the twin towers, but put in place a 100,000 seater modern stadium, with a retractable roof to allow greater usage.

Backed by a consortium including construction companies Tilbury Douglas and John Laing, it has offered £75m for the site, or a package "substantially in excess of £100m" for the adjoining Arena and Conference Centre.

However, Sir Brian Wolfson, chief executive of Wembley, said the company and its advisers had decided the proposals were "unrealistic, and not in the best interests of shareholders".

The company has rebuffed all attempts by the consortium to enter negotiations.

Sir Brian said the stadium carried a book value of around £90m, which would leave shareholders with a substantial book loss.

However, the price is understood to be negotiable.

After discussions with the Football Association, Brent Council, and some of Wembley's bankers, who are owed £140m, Mr Nally remains confident that it is viable.

The consortium would raise funds from the sale of 164 executive boxes, even though the current stadium has around 80 per cent occupancy on the existing 60 suites.

Mr Nally says construction must commence by early 1995 to have the stadium ready for the European Championships in 1996. If Wembley does not agree, he says Stadi Varios will look at a competing site.

Mr Nally is involved in a stadium project in Derby, but similar projects in Sunderland and Glasgow have collapsed.

Artesian to seek market listing

By Simon London, Property Correspondent

Artesian Estates, a residential landlord specialising in assured tenancies, yesterday announced plans to float on the stock exchange. It will be the first property company specialising in this type of flexible tenancy to seek a listing.

Artesian will have initial assets of [illegible], comprising 28 residential properties in London and the south east of England.

[illegible] of its properties are let under assured tenancies which give the landlord considerable freedom to increase rents and regain possession.

The biggest quoted residential property company is Bradford Property Trust, which has a market capitalisation of £280m. However, Bradford's business centres on buying properties let under more restrictive regulated tenancies – usually at a discount to reflect the sitting rights of the tenant – and selling when the property becomes vacant.

Set up in 1989, Artesian recently came to the end of its five year qualifying period under the Business Expansion Scheme. In all 10 companies bearing the Artesian name have been set up under the BES, the last at the end of 1993, raising £42m.

Initially only the first three companies will be grouped together under the listed holding company. The directors said it was possible that other companies could be reversed into the listed company at a later date. They added that Artesian would consider buying other BES companies where investors were looking for an exit.

Falling property prices mean that many similar companies have seen their asset values tumble over the last five years. Artesian has just clawed its way back to the asset value of 1989.

NEWS DIGEST

Breedon rises 56% to £1.5m

Breedon, the limestone quarrying and housebuilding group, raised pre-tax profits 56 per cent from £960,000 to £1.5m in the six months to July 31. Turnover grew 30 per cent from £5.05m to £6.59m.

The company said that while first time buyers had fallen away, sales of its top of the range properties were increasing. Once conditions improved, its low cost land bank would enable it to "maximise profit contribution".

Earnings per share were 3.53p (2.26p) and the interim dividend is unchanged at 1.75p.

Molyneux returns to the black

Molyneux Estates, the USM-traded property investment company, was back in the black at the June 23 year-end, with pre-tax profits of £1.11m. Last year losses were £2.53m.

Turnover rose 26 per cent from £3.97m to £4.98m. Four acquisitions, costing £12m, were made during the year.

The company's property portfolio has been independently valued at £54.8m, giving an increased net asset value per share of 79.52p (62.75p).

The final dividend is 1.25p, making a total of 2p (1p).

Increased exports behind Goodwin rise

Increased exports helped Goodwin, the mechanical and refractory engineering group, to almost double pre-tax profits from £208,000 to £383,000 in the year ended April 30, on turnover 9 per cent higher at £14.75m.

Earnings per share were 2p higher at 3.8p and the single dividend is held at 0.655p.

Red meat sector problems hit Norish

A fall in pre-tax profits from I£1.11m to I£868,000 (£857,000) was announced by Norish, the Irish group which provides food refrigeration and distribution services, for the first half of 1994.

The company said the results had been affected by difficulties in the red meat sector and particularly hit the Irish stores. Its continued development into commercial markets had reduced the group's exposure to commodity products and the opening of a third store in Britain had accelerated that process.

Turnover slipped to I£4.74m (I£5.18m). The dividend is held at 4.47p, payable from earnings of 8.42p (9.88p) per share.

Servomex ahead with £856,000

Servomex, gas analysis instrument maker, raised interim pre-tax profits from £747,000 to £856,000 for the six months to end June, after taking restructuring costs of £148,000. Final restructuring costs of £110,000 are forecast in the second half.

Turnover was level at £10.7m (£10.8m). A number of its large international customers were still reducing plant capacity.

Among the areas targetted for growth, environmental sales rose 59 per cent, Asia Pacific sales grew 38 per cent and transducers 24 per cent.

Earnings per share came out at 5.2p (4.8p) and there is an increased interim of 2.1p (1.9p).

Mining provision hits Europe Energy

A provision of £679,884 against the permanent diminution of its mining assets left Europe Energy Group with pre-tax losses up from £132,817 to £951,968 for the year ended March 31.

New management took control in January. Changes have been made to address the difficulties of the mining operations and the board is confident the problems have been contained. The motor dealership acquired earlier this year was profitable and had a successful August.

Turnover, including the acquisition, rose to £2.64m (£2.12m). Losses per share came to 2.96p (0.45p).

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Allied Leisure	fin	nil	-	2	nil	3
Alpha Airports	int	1.6	Nov 25	-	-	-
Breedon	int	1.75	Oct 28	1.75	-	4.6
Goodwin	fin	0.655	Nov 9	0.655	0.655	0.655
Hepworth	int	5.5	Nov 28	5.5	-	14.85
Holt (Joseph)	int	12	Oct 31	11	-	48
Molyneux Est §	fin	1.25	Nov 17	1	2	1
Norish	int	4.47‡	Oct 20	4.47	-	11.47
Servomex	int	2.1	Nov 4	1.9	-	6.4

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock. ‡Irish pence.

INTERNATIONAL COMPANIES AND FINANCE

Crédit Lyonnais warns of further charges

By Andrew Jack in Paris

Crédit Lyonnais, the troubled French banking group, may need to make additional provisions of up to FFr25bn ($4.73bn) against its heavy losses, government sources said yesterday.

Mr Jean Peyrelevade, who was appointed by the government as chairman of the state-controlled group last year, told officials earlier this week that total provisions could be in the range of FFr15bn-FFr25bn, the sources claimed.

The size of the provisions, which would be among the largest reported in French corporate history, emerged after Crédit Lyonnais announced unexpectedly on Thursday that it would be delaying publication of its first-half results pending completion of "certain analyses".

The bank confirmed yesterday that it was unlikely to issue new shares to help finance its restructuring before the end of the year – a possibility that had been floated by Mr Peyrelevade in March when he announced losses of FFr6.9bn for 1993.

In a unusually public exchange, the French ministry of economy and finance responded late on Thursday night to Crédit Lyonnais's decision with a statement that it had been alerted to certain "substantial additional provisions" relating to risky assets to be accounted for in the results in the six months to the end of June this year.

Mr Edmond Alphandéry, the economy minister who was in New York when the story broke, said he had entrusted Mr Peyrelevade with carrying out the necessary work to research the provisions and present them in line with regulatory requirements.

He stressed the bank had the state's full support and would do whatever was necessary. However, one official said yesterday: "The state's support is obvious. It's like saying that we are opening an open door."

Jean Peyrelevade (left) entrusted by Edmond Alphandéry, economy minister (right) to carry out the necessary work

Crédit Lyonnais would not be drawn on the timing and size of the provisions and the nature of its dialogue with the government. However, it said: "We are delighted to have this public confirmation of the state's complete support."

Sources within the bank reiterated yesterday the discussions with the government triggering the delay in publication of its results related more to the way in which it would help with a rescue than concern over the provisions' size.

However, government sources maintained the first they had known about the additional provisions and the need for state support was on Monday, and had until then relied on assurances provided by Mr Peyrelevade in early summer that provisions would total FFr5bn, which could be covered from internal sources.

Officials are said to have been irritated by the divergence of the provisions from those agreed in the restructuring in April, and by the vague and broad range of possible additional amounts that the group says must be set aside.

Crédit Lyonnais said the state of the French equity market and details emerging about its financial position meant it was very unlikely it would proceed with a planned issue of FFr4bn-FFr5bn new shares before the end of the year.

The group's *certificats d'investissement*, the non-voting shares and the only ones publicly traded, dropped nearly 6 per cent to close at FFr395 last night.

Lauritzen Shipping chief executive quits

By Hilary Barnes in Copenhagen

Mr Peter Weitermeyer, chief executive of J. Lauritzen Shipping since 1986, resigned with immediate effect yesterday. No reason for the resignation was given.

Lauritzen Shipping made a pre-tax loss of DKr289m ($45m) in the first half of this year, following losses of DKr183m in 1992 and DKr465m in 1993. Lauritzen Holding, which includes a shipyard and several marina-related manufacturing companies, made a first-half loss of DKr198m and a 1993 loss of DKr179m.

The shipping company operates one of the world's largest fleets of refrigerated cargo vessels, where freight rates have been hit by the weak dollar and the European Union's quota restrictions on banana imports from South America. Freight rates for the group's fleet of small gas tankers have been weak.

Mr Claus V. Ipsen, formerly the shipping company's finance manager, takes over from Mr Weitermeyer.

Pirelli returns to black in first six months

By Robert Graham in Rome

Pirelli, the Italian cables and tyre manufacturer, announced a modest return to profit after more than two years of tough restructuring and losses.

Half-year results released yesterday showed net group profits were L54.6bn ($35.08m) against a loss of L62.7bn during the same period in 1993 while the parent company had swung to a L1.8bn profit from a L104.3bn loss.

Mr Marco Tronchetti Provera, chief executive, has been predicting the group would return to profit and analysts said the recent movement in the group's shares suggested investors felt the worst was behind Pirelli.

He also said that Pirelli would invest L2,200bn over the next three years, all self-financed, of which L1,000bn would be allocated to research and development. He forecast that there would be a new cables joint venture in the Asia Pacific region and said the group was aiming to concentrate on added value products with some L500bn of revenue coming from telecoms products by 1996.

The restructuring has seen Pirelli reduce the number of plants from 102 to 80 and the workforce cut by more than 10,000 people to less than 40,000. In the first half of the year a further 1,019 jobs were pruned.

Divestments over the past two and half years have helped slash the debt to L1,825bn from L4,000bn, thus reducing financial charges.

The net debt equity ratio has improved, dropping to 0.60 per cent from 0.87 in mid-1993.

The company said the accounts were no longer affected by restructuring charges.

Reduced financial charges, along with leaner management and tighter control over costs were a large contributor to new profitability.

Group sales were only marginally up at L4,687bn. Net equity stood at L.3,030bn in line with the first half of 1993.

The company was cautious on full-year results, pointing to an as yet patchy recovery in many of its markets.

Pirelli also warned about the unforeseen effects of industrial action at Pirelli Armstrong in the US.

Mr Cesare Romiti, the chief executive officer of Fiat, leaves the board while Mr Riccardo Perissich, who has been director general of industry at the Brussels Commission, joins the board and will take charge of institutional relations.

D Blech assets taken over by Josephthal

By Richard Waters in New York

The assets of D. Blech, a New York broking firm which was forced to close on Thursday due to an inability to meet regulatory capital requirements, were taken over yesterday by another firm, Josephthal, Lyon & Ross.

It was not clear whether Josephthal would continue to make markets on Nasdaq in all the stocks which had been traded by Blech.

The firm had specialised in small biotechnology stocks, having taken a number of companies in the sector public. The shares of many of these companies plunged on Nasdaq on Thursday as rumour spread that Blech would close.

Uncertainty about whether Blech's holdings of these stocks would eventually be dumped on the market continued to hold prices down yesterday.

The assets taken over by Josephthal did not include Blech's inventory of stocks. The firm said it had agreed to take on the firm's brokers, analysts and traders, along with its accounts. It is also planning to take over two of Blech's four offices, based in New York and Boca Raton, Florida.

Blech's demise follows a difficult period on the stock market for small biotech companies. In the first eight months of the year, shares in about four-fifths of the publicly traded companies in the sector fell in value.

De Klerk confident on SA debt rating

By Barry Riley in Edinburgh

Mr F.W. De Klerk, the South African deputy president, yesterday said he was confident the credit rating reviews being conducted by Moody's and Standard & Poor's would result in a BBB, or investment grade, rating for the country's international debt.

He brushed aside news that the London-based credit rating agency IBCA had only awarded an inferior BB, or sub-investment grade, rating on Thursday.

The IBCA rating was greeted with disappointment in South Africa because many fund managers are not allowed to buy sub-investment, or junk bonds, but there was little surprise in the international markets.

The South African government is seeking ratings from the international rating agencies in order to facilitate its return to tap the international bond markets, to fund its reconstruction programme.

Speaking in Edinburgh to European securities analysts, Mr De Klerk expressed regret that South Africa's political transformation had not yet been adequately recognised by the markets. "I find it strange that the financial markets should reflect a scepticism on the government's ability to govern the country efficiently and prudently. This is unfair to the government of national unity and has no basis in fact," he said.

He insisted the government would maintain fiscal discipline and would not repeat the populist mistakes of other countries in funding the reconstruction and development programme.

Higher interest rates would increase debt service costs and thus would lead to a slight expenditure overrun for 1994-95 but steps would be taken to finance it on a sound basis. Mr De Klerk said the South African authorities would not spring a surprise on the nervous markets by an early abolition of the financial rand system. They were keen to change as soon as possible – but would not be rushed.

GM rental sale breathes life into buy-out business

Tony Jackson writes on the background to Vestar's takeover of the US car hire group worth an estimated $1bn

The sale of General Motors' National Car Rental subsidiary to Vestar Equity Partners, announced on Thuraday, shows that the US buy-out movement is not dead after all.

The deal is rumoured to be worth about $1bn including debt – a figure described by an adviser yesterday as not far off. If so, it is only the third US billion-dollar buy-out of the 1990s (the others were the Payless retail chain and the insurance company American Re).

This is a far cry from the glory days of the 1980s. It is also a long step for Vestar, a buy-out firm founded in 1988 by Mr Daniel O'Connell, former co-head of management buy-outs at First Boston. To date, Vestar has done 13 deals with a total purchase price of $1.6bn. The National Car Rental deal takes it into rather a different league.

However, Vestar has a useful asset in the form of Mr John Howard, its joint chief executive.

Until he joined the firm in 1990, Mr Howard was with Wesray, another buy-out firm founded by Mr William Simon, ex-treasury secretary. One of Wesray's more spectacular coups, in which Mr Howard was closely involved, was the 1986 buy-out of Avis, National Car Rental's larger rival.

The sums involved in the Avis deal are worth recalling. Wesray bought Avis in July 1986 for $265m plus $1.34bn of assumed debt. It then raised $570m through disposals.

In September 1987, it sold Avis to its employees for $1.75bn. In just over a year, Wesray had more than tripled its money.

Whether the same can be done with National Car Rental is another matter.

Its recent history is decidedly chequered.

General Motors first took a stake in 1988. In 1992, it took control, and in the same year took a $744m charge against profits for losses and restructuring at its new subsidiary.

For a while, GM thought seriously about winding the business up.

However, at the start of 1993, it brought in Jay Alix, a firm of specialist consultants, to sort it out. A year later GM announced that the business had been profitable at the operating level through 1993, and that it was thinking of selling it.

At about the same time, Ford was moving to take 100 per cent ownership of its own car rental business, Hertz.

The difference in strategy between close rivals is striking. Ford points out that besides providing a large sales outlet for its cars, the rental business allows it to evaluate their performance.

"We've been pretty happy with Hertz," Ford commented yesterday. "After all, it is the car business."

The GM line is somewhat different.

Rental, it says, is just not profitable enough. It can involve selling cars on unattractive terms, and often means taking them back second hand.

"In the last couple of years," GM said yesterday, "we've been pulling back the number of cars we've sold to rental agencies. We're trying to redirect into selling direct to customers, which is better for GM than the subsidised market of rental fleets."

Meanwhile, GM will maintain its existing supply agreement with National Car Rental.

Thereafter it is up to Mr Howard to find value where GM failed. In the chiller climate of the 1990s, perhaps Vestar is taking a risk after all.

COMMODITIES AND BOND PRICES

WEEK IN THE MARKETS

Metals finish on a high note

Metals markets finished in a buoyant mood this week with the precious sector resuming its earlier uptrend and copper leading a late surge at the London Metal Exchange. Gold reached a 13-month high, copper a 25-month high and aluminium a 3¼-year high.

Bullioo dealers said the gold market appeared to be bracing itself for a fresh assault on the $400-a-troy ounce barrier as a $2.20 rise yesterday took the price to $396, up $5.40 on the week. That followed an overnight jump in response to the strengtb of the New York silver market. In London cash silver ended at $5.70½ an ounce, up 9 ceots on the day and 21 cents on the week.

"People were playing the [silver-gold] spread so gold followed suit," a dealer told the Reuters oews agency.

"A lot of aggressive buying bas been done to maximise impact, which argues for cautioo," said Andy Smith, bullion analyst as Union Bank of Switzerland. . . Maybe they are right [that the gold price will go to $400], but they have to take profits sometime."

"Everybody is bullisb and talking about $400," said another analyst. "But all the Indicators point to it being overbought."

"We haven't seen sustained demand like this for years," commented a dealer. "It means the rule book goes out the window."

Platinum followed the trend, a $2.75 rise to $421 an ounce yesterday taking the advance on the week to $11.75.

For the base metals generally bullish fundamentals were bolstered by bouts of speculative buying as copper and aluminium led an across-the-board rise yesterday.

Having consolidated earlier gains, the three months delivery copper price, fuelled by commission house buying that triggered stop-loss orders, broke through resistance to close at $2,570.50 a tonne, up $63 on the week and the highest level since August 1992. It moved further ahead in after hours trading.

The aluminium market was bolstered by news of a 19,700-tonne fall in LME warehouse stocks, which followed one of 13,675 tonnes announced and took the week's drawdown to 1.4 per cent. The three months price closed $8 higher at $1,631.50 a tonne, taking the gain on the week to $23, after edging back from a peak of $1,636 a tonne.

Zinc, with its continuing overproduction, has been the Cinderella contract at the LME for some time. But it was abla to join in the party yesterday following news that Norzink of Norway planned to cut output by up to 20 per cent next year at its 140,000-tonnes-a-year Odda smelter. In response the three months zioc price reversed its $10 decline over the previous four days to close at $1,045.50 a tonne, up $13 oo balance.

Norzink's announcement was welcomed by Union Miniere, which two years ago closed its 120,000-tonnes-a-year Overpelt smelter. But the Belgian group cautioned that further producer cuts would be oeeded to reverse the continuing build-up in world zinc stocks.

At the London Commodity Exchange meanwhile, coffee futures were moving back towards the 9-year highs reached earlier in the week. By the close the November position was trading at $4,068 a tonne, up $23 on the day and $136 on the week. But that was still $72 below the peak to which it had been lifted at one point on Thursday by concern about the contiuuing drought in Brazilian growing areas.

Richard Mooney

LME WAREHOUSE STOCKS
(As at Thursday's close)
tonnes

Aluminium	-19,700	to 2,349,675
Aluminium alloy	-280	to 25,460
Copper	-1,750	to 366,300
Lead	-925	to 367,075
Nickel	+1,170	to 143,238
Zinc	+225	to 1,234,200
Tin	-110	to 32,155

WEEKLY PRICE CHANGES

	Latest prices	Change on week	Year ago	1994 High	1994 Low
Gold per troy oz.	$396.00	+5.4	$357.26	$398.50	$369.50
Silver per troy oz	380.50p	+16.0	274.00p	384.50p	331.50p
Aluminium 99.7% (cash)	$1608.5	+23	$1100	$1585.50	$1107.50
Copper Grade A (cash)	$2556.0	66.5	$1749.5	$2521.00	$1731.50
Lead (cash)	$621.5	-	$367.0	$621.5	$426.0
Nickel (cash)	$6450	+22.5	$4343.5	$6490	$5210.0
Zinc SHG (cash)	$1023	+12.5	$875.5	$1023	$900.5
Tin (cash)	$5410	+147.5	$4582.5	$5690.0	$4730.0
Cocoa Futures Dec	£1004	+18	£913	£1124	£859
Coffee Futures Nov	$4067	+135	$1264	$4091	$1175
Sugar (LDP Raw)	$311.1	-5.3	$258.8	$316.4	$252.8
Barley Futures Nov	£103.90	-0.40	£105.00	£105.50	£92.65
Wheat Futures Nov	£106.85	-1.20	£104.50	£117.50	£97.80
Cotton Outlook A Index	74.50c	-1.4	55.10c	87.10c	62.45c
Wool (64s Super)	475p	-	327p	485p	342p
Oil (Brent Blend)	$16.65x	+0.81	$16.36	$18.61	$13.1e

Per tonne unless otherwise stated. p Pence/kg. c Cents lb. x Nov

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1608-9	1631-2
Previous	1601-2	1623-4
High/low	1611.5	1636/1624
AM Official	1011-11.5	1633-3.5
Kerb close		1623-4
Open int.	248,424	
Total daily turnover	36,462	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1660-90	1665-80
Previous	1650-60	1670-5
High/low		1695/1685
AM Official	1680-5	1685-90
Kerb close		1680-5
Open int.	3,015	
Total daily turnover	1,526	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	620.5-2.5	635-7
Previous	610-1	624-4.5
High/low		637/625
AM Official	619.5-20.5	634-4.5
Kerb close		634-5
Open int.	40,422	
Total daily turnover	8,020	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	6445-55	6545-50
Previous	6405-10	6505-10
High/low		6560/6480
AM Official	6447-50	6545-8
Kerb close		6530-35
Open int.	66,918	
Total daily turnover	10,761	

■ TIN ($ per tonne)

	Cash	3 mths
Close	5405-15	5485-90
Previous	5325-30	5400-05
High/low	5375	5500/5420
AM Official	5370-5	5460-66
Kerb close		5460-75
Open int.	16,274	
Total daily turnover	4,232	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	1022.5-3.5	1045-6
Previous	999-1000	1022-3
High/low		1046/1025
AM Official	1012-4	1036-6.5
Kerb close		1042-3
Open int.	97,103	
Total daily turnover	28,536	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	2555.5-6.5	2570-1
Previous	2519.5-20.5	2537-8
High/low	2540.5	2672/2542
AM Official	2540-0.5	2557-8
Kerb close		2564-5
Open int.	211,007	
Total daily turnover	95,346	

■ LME AM Official £/$ rate: 1.5757
LME Closing £/$ rate: 1.5822

Spot:1.5820 3 mths:1.5800 6 mths:1.5771 9 mths:1.5715

■ HIGH GRADE COPPER (COMEX)

	Close	Day's change	High	Low	Open int	Vol
Sep	127.80	+2.85	128.50	128.20	2,723	748
Oct	121.25	+1.40	122.00	121.15	2,027	581
Nov	119.35	+1.05	118.80	118.60	738	20
Dec	118.75	+1.25	119.60	118.20	43,968	8,000
Jan	118.10	+1.20	118.90	118.90	575	20
Feb	117.45	+1.15	117.60	117.50	395	89
Total					80,400	9,872

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold (Troy oz.)	$ price	£ equiv.
Close	395.75-396.25	
Opening	396.50-396.90	
Morning fix	396.50	251.347
Afternoon fix	395.70	250.728
Day's High	396.70-397.00	
Day's Low	395.60-395.80	
Previous close	393.60-394.00	

Loco Ldn Mean Gold Lending Rates (Vs US$)
1 month ....4.52 6 months 4.79
2 months ....4.56 12 months 5.13
3 months 4.62

Silver fix, Spot, 3 months, 6 months, 1 year; Gold Coins: Krugerrand, Maple Leaf, New Sovereign [illegible]

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

[illegible]

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

[illegible]

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

[illegible]

■ SILVER COMEX (100 Troy oz.; Cents/troy oz.)

[illegible]

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

[illegible]

■ CRUDE OIL IPE ($/barrel)

[illegible]

■ HEATING OIL NYMEX (42,000 US galls; c/US galls.)

[illegible]

■ GAS OIL IPE ($/tonne)

[illegible]

■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu.)

[illegible]

■ UNLEADED GASOLINE NYMEX (42,000 US galls.; c/US galls.)

[illegible]

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

[illegible]

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

[illegible]

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

[illegible]

■ BARLEY LCE (£ per tonne)

[illegible]

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

[illegible]

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

[illegible]

■ SOYABEAN MEAL CBT (100 tons; $/ton)

[illegible]

■ POTATOES LCE (£/tonne)

[illegible]

■ FREIGHT (BIFFEX) LCE ($10/index point)

Apr	1610	+3	1620	1610	408	10
Jul	1460	-5	-	-	107	-
Total					2,352	103

	Close	Prev
BFI	1600	1594

> **Spices**
> Black pepper prices increased very sharply in the past fortnight, reports Man Producten. The improving demand for black pepper from consuming markets, which had been inactive for many months, pushed prices up in all origins. Suppliers there have almost all withdrawn and apparently prefer to watch further developments. Black pepper f.a.q. traded at about US$2,300 a tonne on the European spot market and in the US a.s.t.a was at $1.20 a pound. Whites prices only climbed moderately. Spot white was at $3,200 a tonne and September/October shipment at $3,150, cif, in limited quantities. Only sporadic buying took place.

SOFTS

■ COCOA LCE (£/tonne)

[illegible]

■ COCOA CSCE (10 tonnes; $/tonnes)

[illegible]

■ COCOA (ICCO) (SDR's/tonne)

[illegible]

■ COFFEE LCE ($/tonne)

[illegible]

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

[illegible]

■ COFFEE (ICO) (US cents/pound)

[illegible]

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)

[illegible]

■ WHITE SUGAR LCE ($/tonne)

[illegible]

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

[illegible]

■ COTTON NYCE (50,000lbs; cents/lbs)

Jul	72.77	-0.13	73.00	72.80	3,932	482
Oct	69.75	+0.15	69.60	69.45	445	15
Total					81,409	8,929

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

Nov	94.95	-0.15	95.10	93.60	11,384	3,224
Jan	98.00	+0.25	98.50	97.10	4,435	1,143
Mar	101.80	+0.05	101.80	100.70	4,435	695
May	105.00	-0.40	105.00	104.70	951	237
Jul	107.70	-0.25	107.75	106.95	598	90
Sep	110.20	-0.20	-	-	20	-
Total					22,284	5,383

> **VOLUME DATA**
> Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100)

Sep 23	Sep 22	month ago	year ago
2128.2	2125.9	2072.1	1604.5

■ CRB Futures (Base: 1967=100)

Sep 22	Sep 21	month ago	year ago
232.09	230.40	230.77	217.49

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

[illegible]

■ LIVE HOGS CME (40,000lbs; cents/lbs)

Jun	44.400	-	44.450	44.250	817	67
Aug	43.150	-	43.200	43.100	114	6
Total					29,738	5,708

■ PORK BELLIES CME (40,000lbs; cents/lbs)

Feb	38.700	-0.350	39.750	38.450	7,665	2,285
Mar	38.700	-0.475	39.850	38.500	538	134
May	39.750	-0.300	40.800	39.650	148	14
Jul	40.700	-0.150	41.500	40.600	174	24
Aug	39.750	-0.600	40.000	39.650	38	2
Total					8,563	2,459

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

	Calls		Puts	
■ ALUMINIUM (99.7%) LME	Oct	Jan	Oct	Jan
1600	26	79	17	56
1625	14	67	31	68
1650	7	56	48	01
■ COPPER (Grade A) LME	Oct	Jan	Oct	Jan
2500	69	123	11	64
2550	37	96	28	88
2600	18	74	57	113
■ COFFEE LCE	Nov	Jan	Nov	Jan
3600	492	558	26	141
3650	449	526	32	158
3700	406	495	41	177
■ COCOA LCE	Dec	Mar	Dec	Mar
975	58	107	29	46
1000	44	93	40	57
1050	25	69	71	83
■ BRENT CRUDE IPE	Nov	Dec	Nov	Dec
1600	-	94	20	37
1650	34	68	37	60
1700	23	52	-	90

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/Nov)

		+or-
Dubai	$15.60-5.65u	+0.335
Brent Blend (dated)	$16.33-6.35	+0.44
Brent Blend (Nov)	$16.64-6.66u	+0.37
W.T.I. (1pm est)	$17.81-7.83u	+0.41

■ OIL PRODUCTS NWEprompt delivery CIF (tonne)

Premium Gasoline	$173-176	+1
Gas Oil	$152-153	+1
Heavy Fuel Oil	$74-75	
Naphtha	$159-160	+1
Jet fuel	$170-171	+1

Petroleum Argus estimates

■ OTHER

Gold (per troy oz)♣	$396.0	+2.2
Silver (per troy oz)♣	570.5c	+9.0
Platinum (per troy oz.)	$421.00	+2.75
Palladium (per troy oz.)	$158.25	+0.75
Copper (US prod.)	129.0c	+3.0
Lead (US prod.)	38.25c	
Tin (Kuala Lumpur)	13.47m	+0.06
Tin (New York)	249.5c	
Cattle (live weight)†©	117.09p	-0.07*
Sheep (live weight)†♠©	86.20p	+1.41*
Pigs (live weight)©	74.75p	+2.17*
Lon. day sugar (raw)	$311.1	-3.4
Lon. day sugar (wte)	$336.5	-3.5
Tate & Lyle export	£310.0	
Barley (Eng. feed)	Unq.	
Maize (US No3 Yellow)	$136.0	
Wheat (US Dark North)	£180.0	
Rubber (Oct)♥	90.00p	+0.25
Rubber (Nov)♥	89.00p	+1.50
Rubber KL RSS No1 Oct	332.00m	+2.5
Coconut Oil (Phil)§	$652.5z	+5.0
Palm Oil (Malay.)§	$625.0t	+2.5
Copra (Phil)§	$411	+7
Soyabeans (US)	£158.0z	
Cotton Outlook 'A' index	74.50c	+0.10
Wooltops (64s Super)	475p	-10

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. u Nov. t Oct. z Sep/Oct. w Sep. ♥ London Physical. § CIF Rotterdam. ♣ Bullion market close. ♠ Sheep (Live weight prices). * Change on week. © Prices are for previous day.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		6.000	08/04	92.8200	-0.380	10.16	9.95	9.38
Belgium		7.250	04/04	91.4300	+0.280	8.69	8.67	8.37
Canada *		6.500	06/04	84.3500	+0.500	8.95	8.88	8.69
Denmark		7.000	12/04	86.2500	+0.350	9.12	9.17	8.85
France	BTAN	8.000	05/98	101.5000	+0.130	7.48	7.55	7.22
	OAT	5.500	04/04	83.0800	+0.360	8.10	8.18	7.78
Germany Bund		8.750	07/04	94.3300	+0.290	7.59	7.69	7.16
Italy		8.500	08/04	82.2000	+0.720	11.57†	12.09	11.66
Japan	No 118	4.800	06/99	103.8100	+0.060	3.85	3.91	4.00
		4.100	12/03	87.3250	-0.060	4.51	4.58	4.65
Netherlands		5.750	01/04	87.6200	-0.360	7.65	7.62	7.24
Spain		8.000	05/04	81.7500	+0.500	11.18	11.40	10.97
UK Gilts		6.000	08/99	89-11	+4/32	8.72	8.71	8.32
		6.750	11/04	85-28	+6/32	8.88	8.97	8.53
		9.000	10/08	101-05	+7/32	8.85	8.94	8.47
US Treasury *		7.250	08/04	97-27	-2/32	7.56	7.52	7.21
		7.500	11/24	96-17	-8/32	7.80	7.79	7.46
ECU (French Govt)		6.000	04/04	82.8200	+0.620	8.71	8.74	8.33

London closing. *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Lunchtime — Treasury Bills and Bond Yields

[illegible]

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF)

[illegible]

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

[illegible]

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE) DM250,000 100ths of 100%

[illegible]

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

[illegible]

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE) Lira 200m 100ths of 100%

[illegible]

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

[illegible]

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

[illegible]

UK

■ NOTIONAL UK GILT FUTURES (LIFFE) £50,000 32nds of 100%

[illegible]

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

[illegible]

Ecu

■ ECU BOND FUTURES (MATIF)

[illegible]

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

[illegible]

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

[illegible]

FT-ACTUARIES FIXED INTEREST INDICES

[illegible]

FT FIXED INTEREST INDICES

[illegible]

GILT EDGED ACTIVITY INDICES

[illegible]

UK GILTS PRICES

[illegible]

Other Fixed Interest

[illegible]

ECONOMIC DIARY – FORWARD EVENTS

TODAY: Boris Yeltsin, Russian president, and Andrei Kozyrev, foreign minister, visit London for talks with John Major, UK prime minister, at Chequers.

TOMORROW: Albert Reynolds, Irish prime minister, visits Wellington, New Zealand. State election in Bavaria. National referendum on Swiss government plan to introduce law against racial discrimination.

MONDAY: Presideot Clinton and Boris Yeltsin scbeduled to address UN General Assembly. Commoowealth finance ministers conference in Valletta, Malta. European Parliament plenary session in Strasbourg. US and Japan hold automotive sector talks in Washington. UK capital expenditure (second quarter, revised). UK stocks and work in progress (second quarter, revised).

TUESDAY: Boris Yeltsin io Washington. Demonstration in Hyderabad, India, against animal slaughter and beef exports.

WEDNESDAY: Chuan Leekpai, Thai prime minister, in Canada for talks on trade expansion, technology transfer and Asia-Pacific co-operation. International general assembly of Interpol police in Rome. European Unioo industry ministers meet in Brussels. IMF world economic outlook news conference in Madrid ahead of IMF/World Bank annual meeting. Leading British banking groups' mortgage lending (August). Prices of agricultural land (Welsh Office, second quarter).

THURSDAY: Nato defence ministers meet in Seville. US GDP figures (August). Amsterdam's bourse closes ahead of the introduction of a new trading system oo Friday. UK New Earnings Survey 1994 Part A. UK energy trends for July. New UK vehicle registrations (July).

FRIDAY: End of 60-day period of consultations between Japan and the US when the latter may enforce trade sanctions if there is no accord. Carlos Menem, Argentine president, to address World Affairs Council in Los Angeles. Geoeral election in Slovakia. Profitability of UK companies (1993). UK economic trends (September). UK monthly digest of statistics (September). GB cinema exhibitors (second quarter).

CURRENCIES AND MONEY

MARKETS REPORT

Dollar lingers

The dollar trickled down to the low end of its narrow trading range against both the yen and the D-Mark yesterday as the markets were transfixed by upcoming events, *writes Motoko Rich.*

Divided market sentiment about whether the US Federal reserve will raise interest rates next week left dealers largely on the sidelines in a quiet day of trading.

Against the D-Mark, the dollar closed in London at DM1.5443, down from DM1.5488. Against the yen, it finished at Y97.7050, down from Y98.0750.

The D-Mark was sluggish on the European crosses. It was moved only slightly by cost of living figures in two German states which suggested *national statistics* may subdue inflation worries.

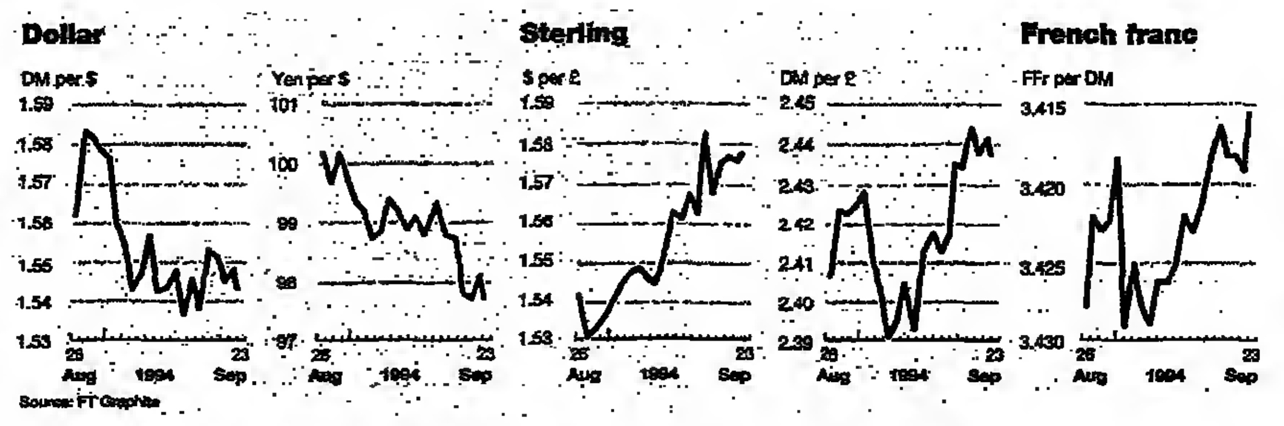
Sterling was helped by better than expected national accounts. Against the dollar, the pound finished in London at $1.5788 up from $1.5762. Against the D-Mark, it closed in London at DM2.438, down from DM2.4411.

■ The markets hovered as speculation about the possibility of a rate hike at next week's meeting of the Federal Open Market Committee, the policy-making arm of the Fed, prevented significant movement on the dollar.

Trade talks between the US and Japan have not yet yielded results and most analysts are expecting compromise in at *least some areas*, such as the auto sector. In the meantime, analysts believe the dollar will only flirt with its technical resistance level of Y97.50.

■ **Pound in New York**

Sep 23	—Latest—	– Prev. close –
£ spot	1.5821	1.5755
1 mth	1.5817	1.5751
3 mth	1.5800	1.5734
1 yr	1.5647	1.5581



Source: FT Graphite

■ The release of September cost of living indices in two German states led analysts to soften their inflation fears, which they said would help the D-Mark in the long term. In North Rhine-Westphalia the index rose by 1 per cent and in Baden-Wuerttemberg, it dropped by 1 per cent.

"The overall picture, if these *figures are good indicators of* the national figures, looks slightly better than expected," said Mr Rob Hayward, economist at Bank of America. "There is a chance that inflation could actually come down in Germany in September."

The D-Mark fell against the lira as rumours of a possible compromise between the government of Prime Minister Silvio Berlusconi and Italy's trade union over a pension reform package circulated in the market. Against the lira, the D-Mark closed in London at *L1009, down from L1011.*

■ Sterling was boosted by a *surprisingly good second quarter* GDP figure and a lower than expected current account deficit. Analysts said these contributed to a continuing bullish outlook for the pound.

Mr Tony Norfield, UK treasury economist at ABN-AMRO, said: "The question which remains, however, is, will sterling weaken if the interest rate rises that our currently priced into the futures markets don't occur?"

The December short sterling contract traded 38,000 lots to settle at 93.19, up from 93.18, and thus *discounting* a three month interest rate of 6.81 per cent.

■ In the UK money markets, the Bank of England forecast a shortage of £900m. It provided assistance totalling £919m. Overnight rates traded between 3¼ and 5 per cent.

■ **OTHER CURRENCIES**

Sep 23	£	$
Hungary	170.052 - 170.394	107.730 - 107.830
Iran	2758.00 - 2759.00	1748.00 - 1750.00
Kuwait	0.4687 - 0.4701	0.2969 - 0.2977
Poland	36418.0 - 36452.1	23070.0 - 23090.0
Russia	3836.50 - 3841.20	2430.00 - 2433.00
U.A.E.	5.8004 - 5.8121	3.6715 - 3.6735

POUND SPOT FORWARD AGAINST THE POUND

Sep 23		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	17.1603	–0.0198	536 - 669	17.1878	17.1375	17.1559	0.3	17.1441	0.4	-	-	115.0
Belgium	(BFr)	50.1685	–0.0434	489 - 280	50.2350	50.0850	50.2035	–0.4	50.1485	0.3	49.8635	0.6	116.6
Denmark	(DKr)	9.5881	–0.0174	837 - 924	9.6015	9.5768	9.5926	–0.6	9.6122	–1.0	9.6548	–0.7	116.5
Finland	(FM)	7.7467	–0.005	381 - 553	7.7640	7.7340	-	-	-	-	-	-	85.5
France	(FFr)	8.3366	–0.0094	313 - 419	8.3426	8.3244	8.3362	0.1	8.3378	–0.1	8.2918	0.5	110.2
Germany	(DM)	2.4380	–0.0031	372 - 388	2.4435	2.4338	2.4371	0.3	2.4338	0.7	2.3989	1.6	126.9
Greece	(Dr)	378.585	+6.897	367 - 802	378.823	370.889	-	-	-	-	-	-	-
Ireland	(I£)	1.0118	–0.0001	111 - 124	1.1035	1.0088	1.0117	0.1	1.0129	–0.4	1.0175	–0.6	104.9
Italy	(L)	2461.27	–8.24	009 - 245	2472.91	2456.93	2466.87	–2.7	2479.12	–2.9	2533.42	–2.9	75.3
Luxembourg	(LFr)	50.1885	–0.0434	489 - 280	50.2350	50.0850	50.2035	–0.4	50.1485	0.3	49.8635	0.6	116.6
Netherlands	(Fl)	2.7322	–0.0044	810 - 334	2.7378	2.7284	2.7316	0.3	2.7281	0.6	2.6916	1.5	120.7
Norway	(NKr)	10.6918	–0.0061	885 - 950	10.7134	10.6734	10.6916	0.0	10.6938	–0.1	10.6962	0.0	65.6
Portugal	(Es)	249.080	+0.048	961 - 198	249.371	248.471	250.81	–8.3	253.99	–7.9	-	-	-
Spain	(Pta)	202.278	+0.084	206 - 349	202.586	201.686	202.683	–2.4	203.413	–2.2	206.248	–2.0	85.9
Sweden	(SKr)	11.7938	+0.037	860 - 018	11.8029	11.7248	11.8128	–1.9	11.8603	–2.3	12.0738	–2.4	75.2
Switzerland	(SFr)	2.0263	–0.0016	252 - 274	2.0295	2.0224	2.0237	1.5	2.018	1.6	1.9826	2.2	122.6
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	79.7
Ecu	–	1.2777	–0.0014	770 - 784	1.2796	1.2760	1.2781	–0.4	1.2782	–0.2	1.2734	0.3	-
SDR†	–	0.930777	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5784	+0.0029	780 - 787	1.5789	1.5732	-	-	-	-	-	-	-
Brazil	(R)	1.3506	+0.003	496 - 518	1.3517	1.3458	-	-	-	-	-	-	-
Canada	(C$)	2.1223	+0.0051	216 - 231	2.1227	2.1155	2.1218	0.5	2.1212	0.2	2.12	0.1	87.9
Mexico	(New Peso)	5.3638	+0.0041	590 - 686	5.3777	5.3585	-	-	-	-	-	-	-
USA	($)	1.5786	+0.0026	785 - 790	1.5790	1.5738	1.5784	0.3	1.5766	0.5	1.5611	1.1	61.9
Pacific/Middle East/Africa													
Australia	(A$)	2.1377	–0.0027	366 - 387	2.1391	2.1313	2.1376	0.0	2.139	–0.2	2.1572	–0.9	-
Hong Kong	(HK$)	12.2001	+0.0197	974 - 028	12.2035	12.1631	12.1982	0.4	12.1951	0.2	12.2021	0.0	-
India	(Rs)	49.5235	+0.0796	097 - 372	49.5420	49.3740	-	-	-	-	-	-	-
Japan	(Y)	154.252	–0.329	158 - 347	154.580	153.790	153.882	2.0	152.927	3.4	147.482	4.4	191.1
Malaysia	(M$)	4.0356	+0.0058	343 - 372	4.0384	4.0225	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.6208	–0.0059	182 - 234	2.6255	2.6138	2.6247	–1.8	2.6325	–1.8	2.6547	–1.5	-
Philippines	(Peso)	40.3371	–1.1946	728 - 014	40.6520	40.1675	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.9212	+0.0097	200 - 224	5.9235	5.9030	-	-	-	-	-	-	-
Singapore	(S$)	2.3374	+0.0101	362 - 385	2.3413	2.3243	-	-	-	-	-	-	-
S Africa (Com.)	(R)	5.5829	+0.0124	366 - 849	5.6858	5.5501	-	-	-	-	-	-	-
S Africa (Fin.)	(R)	6.8124	–0.17	876 - 371	6.9502	6.7675	-	-	-	-	-	-	-
South Korea	(Won)	1267.26	+3.81	690 - 762	1267.75	1263.06	-	-	-	-	-	-	-
Taiwan	(T$)	41.3357	+0.0603	283 - 430	41.3448	41.2013	-	-	-	-	-	-	-
Thailand	(Bt)	39.3583	+0.0491	362 - 805	39.3850	39.2550	-	-	-	-	-	-	-

†SDR rates for Sep 22. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1985 = 100. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Sep 23		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P Morgan Index
Europe													
Austria	(Sch)	10.8685	–0.0305	670 - 720	10.9020	10.8660	10.8685	0.0	10.8693	0.0	10.7945	0.7	104.2
Belgium	(BFr)	31.7900	–0.08	700 - 100	31.8730	31.7700	31.7872	–0.3	31.81	–0.3	31.945	–0.5	105.8
Denmark	(DKr)	6.0732	–0.0211	714 - 750	6.0912	6.0714	6.0797	–1.3	6.0997	–1.7	6.1769	–1.7	104.8
Finland	(FM)	4.9069	–0.0112	022 - 115	4.9279	4.8999	4.9069	0.0	4.9139	–0.6	4.9618	–1.1	80.0
France	(FFr)	5.2805	–0.0147	780 - 830	5.2960	5.2780	5.2823	–0.4	5.2858	–0.4	5.2935	–0.2	106.4
Germany	(D)	1.5443	–0.0045	440 - 445	1.5494	1.5435	1.5441	0.2	1.5437	0.1	1.5388	0.5	106.7
Greece	(Dr)	239.800	+3.98	700 - 000	239.900	235.300	240.1	–1.5	240.725	–1.5	243.475	–1.5	69.0
Ireland	(I£)	1.5604	+0.0027	698 - 611	1.5619	1.5548	1.5598	0.5	1.5588	0.9	1.5394	1.4	-
Italy	(L)	1559.00	–7.8	850 - 950	1569.80	1557.94	1563.25	–3.3	1572	–3.3	1620.5	–3.9	75.4
Luxembourg	(LFr)	31.7900	–0.08	700 - 100	31.8730	31.7700	31.7972	–0.3	31.81	–0.3	31.945	–0.5	105.8
Netherlands	(Fl)	1.7306	–0.0057	301 - 811	1.7363	1.7301	1.7308	–0.2	1.7308	–0.1	1.7259	0.3	105.5
Norway	(NKr)	6.7723	–0.015	713 - 733	6.8000	6.7697	6.7773	–0.0	6.7973	–1.5	6.8898	–1.4	95.9
Portugal	(Es)	157.770	–0.23	720 - 820	159.200	157.720	158.62	–5.7	162.195	–11.2	166.77	–5.7	95.1
Spain	(Pta)	128.125	–0.19	100 - 150	128.350	128.100	128.44	–3.0	129.05	–2.9	132.005	–3.0	80.9
Sweden	(SKr)	7.4704	+0.0112	666 - 741	7.4896	7.4399	7.4869	–2.7	7.5254	–2.9	7.7179	–3.3	80.6
Switzerland	(SFr)	1.2835	–0.003	830 - 840	1.2881	1.2828	1.2824	1.0	1.2803	1.0	1.2685	1.2	108.3
UK	(£)	1.5788	+0.0028	785 - 790	1.5790	1.5738	1.5784	0.3	1.5766	0.5	1.5611	1.1	89.2
Ecu	–	1.2356	+0.0033	351 - 361	1.2381	1.2322	1.2347	0.9	1.2329	0.9	1.2055	2.4	-
SDR†	–	1.46650	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9998	+0.0002	997 - 998	0.9998	0.9995	-	-	-	-	-	-	-
Brazil	(R)	0.8555	+0.0005	550 - 560	0.8560	0.8545	-	-	-	-	-	-	-
Canada	(C$)	1.3443	+0.001	440 - 446	1.3454	1.3434	1.3446	–0.3	1.3458	–0.4	1.3538	–0.7	84.5
Mexico	(New Peso)	3.3975	–0.003	950 - 000	3.4080	3.3960	3.3985	–0.4	3.4003	–0.3	3.4077	–0.5	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	95.3
Pacific/Middle East/Africa													
Australia	(A$)	1.3540	–0.004	535 - 545	1.3578	1.3519	1.3542	–0.2	1.3549	–0.3	1.3628	–0.8	86.0
Hong Kong	(HK$)	7.7277	–0.0003	272 - 282	7.7282	7.7272	7.7276	0.0	7.7282	0.0	7.7432	–0.2	-
India	(Rs)	31.3688	–0.0012	650 - 725	31.3725	31.3650	31.4538	–3.3	31.5988	–2.9	-	-	-
Japan	(Y)	97.7050	–0.37	600 - 500	98.1000	97.6600	97.495	2.6	96.995	2.9	94.47	3.3	151.0
Malaysia	(M$)	2.5563	–0.0006	558 - 568	2.5572	2.5550	2.5471	4.3	2.5358	3.2	2.6093	–2.1	-
New Zealand	(NZ$)	1.6600	–0.0065	586 - 614	1.6628	1.6588	1.6609	–0.7	1.6628	–0.7	1.6681	–0.6	-
Philippines	(Peso)	25.5500	–0.8	500 - 500	25.8500	25.4500	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7506	-	504 - 507	3.7507	3.7504	3.7518	–0.4	3.756	–0.6	3.7748	–0.6	-
Singapore	(S$)	1.4805	+0.0039	800 - 910	1.4810	1.4785	1.4792	1.1	1.4773	0.9	1.4705	0.7	-
S Africa (Com.)	(R)	3.5363	+0.002	355 - 370	3.5435	3.5205	3.5518	–5.3	3.5801	–5.0	3.6588	–3.4	-
S Africa (Fin.)	(R)	4.3150	–0.115	000 - 300	4.4050	4.2800	4.3467	–9.4	4.4075	–8.8	-	-	-
South Korea	(Won)	802.700	+1.1	800 - 800	802.800	802.300	805.7	–4.5	809.2	–3.2	827.7	–3.1	-
Taiwan	(T$)	26.1825	–0.005	820 - 830	26.1880	26.1780	26.2025	–0.9	26.2425	–0.9	-	-	-
Thailand	(Bt)	24.9300	–0.01	200 - 400	24.9400	24.9200	25.0025	–3.5	25.13	–3.2	25.81	–2.7	-

†SDR rate for Sep 22. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Sep 22. Base average 1990=100

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Sep 23		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	19.11	16.61	4.859	2.015	4904	5.444	21.30	496.2	402.0	23.50	4.037	1.993	4.229	3.147	307.3	2.545
Denmark	(DKr)	52.34	10	8.694	2.543	1.054	2567	2.849	11.15	259.7	210.8	12.30	2.113	1.043	2.213	1.647	160.8	1.332
France	(FFr)	60.20	11.50	10	2.925	1.213	2952	3.277	12.82	298.7	242.6	14.14	2.430	1.200	2.546	1.894	185.0	1.532
Germany	(DM)	20.58	5.933	3.419	1	0.415	1009	1.121	4.385	102.1	82.94	4.836	0.831	0.410	0.870	0.648	63.25	0.524
Ireland	(I£)	49.63	9.484	8.245	2.411	1	2434	2.702	10.57	246.3	200.0	11.66	2.004	0.989	2.099	1.562	152.5	1.263
Italy	(L)	2.039	0.390	0.339	0.099	0.041	100.	0.111	0.434	10.12	8.216	0.479	0.082	0.041	0.086	0.064	6.268	0.052
Netherlands	(Fl)	18.37	3.510	3.051	0.892	0.370	900.8	1	3.913	91.14	74.01	4.316	0.742	0.366	0.777	0.578	56.44	0.467
Norway	(NKr)	46.94	8.969	7.796	2.281	0.946	2302	2.556	10	232.9	189.1	11.03	1.895	0.935	1.985	1.477	144.2	1.195
Portugal	(Es)	20.15	3.851	3.348	0.979	0.406	988.4	1.097	4.293	100.	81.20	4.735	0.814	0.402	0.852	0.634	61.93	0.513
Spain	(Pta)	24.82	4.742	4.123	1.206	0.500	1217	1.351	5.287	123.1	100.	5.831	1.002	0.495	1.049	0.781	76.26	0.632
Sweden	(SKr)	42.56	8.132	7.070	2.068	0.858	2087	2.317	9.067	211.2	171.5	10	1.718	0.848	1.800	1.339	130.8	1.083
Switzerland	(SFr)	24.77	4.732	4.115	1.203	0.499	1215	1.348	5.278	122.9	99.80	5.818	1	0.494	1.047	0.779	76.11	0.630
UK	(£)	50.18	9.588	8.336	2.438	1.011	2461	2.732	10.69	249.0	202.2	11.79	2.026	1	2.122	1.579	154.2	1.277
Canada	(C$)	23.65	4.518	3.928	1.149	0.476	1160	1.287	5.038	117.3	95.29	5.556	0.955	0.471	1	0.744	72.67	0.602
US	($)	31.78	6.072	5.279	1.544	0.640	1559	1.730	6.770	157.7	128.1	7.467	1.283	0.633	1.344	1	97.66	0.809
Japan	(Y)	32.54	6.218	5.406	1.581	0.656	1596	1.772	6.933	161.5	131.1	7.646	1.314	0.649	1.376	1.024	100.	0.828
Ecu		39.30	7.508	6.528	1.909	0.792	1927	2.139	8.371	195.0	158.3	9.233	1.587	0.783	1.662	1.236	120.8	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ **D-MARK FUTURES** (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.6466	0.6468	+0.0002	0.6472	0.6456	16,694	70,783
Mar	-	0.6474	-	-	0.6474	521	4,084
Jun	-	0.6483	-	-	-	1	478

■ **JAPANESE YEN FUTURES** (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	1.0272	1.0297	+0.0020	1.0306	1.0263	12,689	45,454
Mar	1.0366	1.0372	+0.0008	1.0372	1.0366	33	2,385
Jun	-	1.0458	-	-	-	4	450

■ **SWISS FRANC FUTURES** (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.7815	0.7800	–0.0013	0.7815	0.7788	12,721	35,294
Mar	-	0.7823	-	-	0.7818	23	629
Jun	-	0.7865	-	-	-	[illegible]	[illegible]

■ **STERLING FUTURES** (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	1.5760	1.5762	+0.0024	1.5788	1.5722	5,011	31,510
Mar	-	1.5740	-	1.5740	1.5680	1	288
Jun	-	[illegible]	-	[illegible]	[illegible]	1	[illegible]

EMS EUROPEAN CURRENCY UNIT RATES

Sep 23	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Netherlands	2.19672	2.14985	–0.00028	–2.13	5.31	-
Belgium	40.2123	39.4744	–0.0002	–1.84	4.99	13
Germany	1.94964	1.91836	–0.00025	–1.60	4.74	-
Ireland	0.808628	0.796331	+0.001125	–1.52	4.65	10
France	6.53883	6.55913	+0.00068	0.31	2.74	–3
Denmark	7.43679	7.54483	+0.00354	1.45	1.59	–10
Portugal	192.854	195.900	+0.38	1.58	1.48	–11
Spain	154.250	158.875	+0.135	3.06	0.00	–21
NON ERM MEMBERS						
Greece	264.513	292.240	–0.023	10.48	–6.72	-
Italy	1793.18	1934.16	–5.61	7.86	–4.45	-
UK	0.786749	0.786875	+0.001302	0.02	3.05	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ **PHILADELPHIA SE £/$ OPTIONS** £31,250 (cents per pound)

Strike Price	CALLS Oct	CALLS Nov	CALLS Dec	PUTS Oct	PUTS Nov	PUTS Dec
1.500	7.49	7.48	7.61	-	0.07	0.38
1.525	5.06	5.26	5.82	0.03	0.32	0.82
1.550	2.85	3.33	3.87	0.31	0.87	1.54
1.575	1.22	1.87	2.51	1.12	1.85	2.55
1.600	0.38	0.91	1.51	2.71	3.32	4.02
1.625	0.05	0.38	0.84	4.89	5.26	5.82

Previous day's vol., Calls 5,745 Puts 3,354 . Prev. day's open int., Calls 476,076 Puts 345,855

WORLD INTEREST RATES

MONEY RATES

[illegible]

EURO CURRENCY INTEREST RATES

[illegible]

■ THREE MONTH PIBOR FUTURES (MATIF) Paris interbank offered rate

[illegible]

■ THREE MONTH EURODOLLAR (LIFFE)* $1m points of 100%

[illegible]

■ THREE MONTH EUROMARK FUTURES (LIFFE) DM1m points of 100%

[illegible]

■ THREE MONTH EUROLIRA INT.RATE FUTURES (LIFFE) L1000m points of 100%

[illegible]

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

[illegible]

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

[illegible]

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

[illegible]

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

[illegible]

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

[illegible]

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

[illegible]

UK INTEREST RATES

LONDON MONEY RATES

[illegible]

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

[illegible]

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Dec	CALLS Mar	CALLS Jun	PUTS Dec	PUTS Mar	PUTS Jun
9300	0.40	0.14	0.16	0.21	0.85	1.55
9325	0.25	0.08	0.12	0.31	1.04	1.76
9350	0.13	0.04	0.08	0.44	1.25	1.97

Est. vol. total, Calls 13033 Puts 6503. Previous day's open int., Calls 271815 Puts 176568

BASE LENDING RATES

	%		%		%
Adam & Company	5.75	Duncan Lawrie	5.75	*Roxburghe Guarantee Corporation Limited is no longer authorised as a banking institution.	8
Allied Trust Bank	5.25	Exeter Bank Limited	6.75	Royal Bk of Scotland	5.75
AIB Bank	5.75	Financial & Gen Bank	6.5	●Smith & Williamson Secs.	5.75
●Henry Ansbacher	5.75	●Robert Fleming & Co	5.75	TSB	5.75
Bank of Baroda	5.75	Girobank	5.75	●United Bk of Kuwait	5.75
Banco Bilbao Vizcaya	5.75	●Guinness Mahon	5.75	Unity Trust Bank Plc	5.75
Bank of Cyprus	5.75	Habib Bank AG Zurich	5.75	Western Trust	5.75
Bank of Ireland	5.75	●Hambros Bank	5.75	Whiteaway Laidlaw	5.75
Bank of India	5.75	Heritable & Gen Inv Bk	5.75	Yorkshire Bank	5.75
Bank of Scotland	5.75	●Hill Samuel	5.75		
Barclays Bank	5.75	C. Hoare & Co	5.75		
Brit Bk of Mid East	5.25	Hongkong & Shanghai	5.25		
●Brown Shipley & Co Ltd	5.75	Julian Hodge Bank	5.75		
Cl. Bank Nederland	5.75	●Leopold Joseph & Sons	5.75		
Citibank NA	5.75	Lloyds Bank	5.75		
Clydesdale Bank	5.75	Meghraj Bank Ltd	5.75		
The Co-operative Bank	5.75	Midland Bank	5.75		
Coutts & Co	5.75	*Mount Banking	6		
Credit Lyonnais	5.75	NatWestminster	5.75		
Cyprus Popular Bank	5.75	●Rea Brothers	5.75		

● Members of London Investment Banking Association
* In administration

MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

NOTES– Gross: Contractual rate of interest payable, not taking account of the deduction of basic rate income tax. Net: Rate of interest payable after allowing for deduction of basic rate income tax. Gross CAR: Gross rate annualised to take account of compounding of interest paid other than once a year. 'Compounded Annual Rate'. Int. Cr: Frequency at which interest is credited to the account.

LONDON STOCK EXCHANGE: Dealings

Details of business done shown below have been taken with consent from last Thursday's Stock Exchange Official List and should not be reproduced without permission.

Details relate to those securities not included in the FT Share Information Services.

Unless otherwise indicated prices are in pence. The prices are those at which the business was done in the 24 hours up to 5 pm on Thursday and settled through the Stock Exchange Talisman system, they are not in order of execution but in ascending order which denotes the day's highest and lowest dealings.

For those securities in which no business was recorded in Thursday's Official List the latest recorded business in the four previous days is given with the relevant date.

Rule 4.2(a) stocks are not regulated by the International Stock Exchange of the United Kingdom and the Republic of Ireland Ltd.

‡ Bargains at special prices. ф Bargains done the previous day.

British Funds, etc

Treasury 13¾% Stk 2000/03 - £120⅞ (21Se94)

Corporation and County Stocks

London County 2½% Cons Stk 1920(or after) - £25 (19Se94)

Dudley Metropolitan Borough Council7% Ln Stk 2019 (Reg)(F/P) - £77⅞ (19Se94)

UK Public Boards

Foreign Stocks, Bonds, etc- (coupons payable in London)

Nationwide Building Society Zero Cpn Nts 1998 (Br £ Var) - £69¾ (20Se94)

New South Wales Treasury Corp Zero CpGtdBd2020 (BrSA10000,100000&1000000) - $A6¼

New Zealand 9⅛% Bds 1995(Br£1000&10000) - £101¼ (19Se94)

Osaka Gas Co Ld 8.125% Bds 2003 (Br £ Var) - £98¾ (20Se94)

Pacific Electric Wire&Cable Co Ld 3¾% Bds 2001(Reg$5000&500000) - $113.62 116½ (21Se94)

Pacific Electric Wire&Cable Co Ld 3¾% Bds

Nationwide Building Society 11¼% Nts 1997 (Br £5000 & 100000) - £104⅜ (20Se94)

BM Group PLC 4.6p (Net) Cnv Cum Red Prf 20p - 68

BOC Group PLC ADR (1:1) - $11.3 (16Se94)

Corporation Stocks - Foreign

Sterling Issues by Overseas Borrowers

Listed Companies(excluding Investment Trusts)

Investment Trusts

USM Appendix

Rule 4.2(a)

Wedderburn Securities PLC Ord 5p - £0.135

Wedderburn Securities PLC Wts to sub for Ord - £0.06 (20Se94)

Weetabix Ld "A" Non.V Ord 25p - £17.9 18

Wentworth International Group PLC Ord 1p - £0.01ф

Whitchurch Group PLC Ord 10p - £0.52 (19Se94)

Winchester Multi Media PLC Ord 5p - £0.58 (21Se94)

Wynnstay Properties PLC 25p - £1¼ (19Se94)

RULE 2.1 (a)(v)

Bargains marked in securities (not falling within Rule 2.1 (a)(i)) where the pricipal market is outside the UK and Republic of Ireland .

Aust. Foundation Inv A$2.053
Cape Range Oil A$0.56 (16.9)
City Developments S$7.146 (16.9)
Dainippon Screen Y780.97
Hysan Development HK$22.71
Kulim Malaysia 96.0 (16.9)
Leighton Hldgs. A$2.06
National Electronics 6.25 (16.9)
National Fuel Gas Co. $30.75
North Flinders Mines A$8.31 (19.9)
Oil Search 40.0 (21.9)
Palabora Mining FL73.0 (20.9)
Playmates Hldgs. HK$3.515
Regal Hotels HK$2.141121
Singapore Land S$8.916 (21.9)
Storer Communications SKr421.0
Walhalla Mining A$0.13104

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FT-SE ACTUARIES INDICES

The FT-SE 100, FT-SE Mid 250 and FT-SE Actuaries 350 Indices and the FT-SE Actuaries Industry Baskets are calculated by The International Stock Exchange of the United Kingdom and Republic of Ireland Limited.

The FT-SE Actuaries All-Share Index is calculated by The Financial Times Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries.

The FT-SE 100, FT-SE Mid 250 and FT-SE Actuaries 350 indices, the FT-SE Actuaries Industry Baskets and the FT-SE Actuaries All-Share Index are members of the FT-SE Actuaries Share Indices series which are calculated in accordance with a standard set of ground rules established by The Financial Times Limited and London Stock Exchange in conjunction with the Institute of Actuaries and the Faculty of Actuaries. "FT-SE" and "Footsie" are joint trade marks and service marks of the London Stock Exchange and The Financial Times Limited.

LONDON STOCK EXCHANGE

MARKET REPORT

Firmer trend at the close of a nervous week

By Terry Byland, UK Stock Market Editor

The UK stock market ended a difficult week on a slightly steadier note with the help of an improvement in the stock index futures and bond sectors. But trading volume remained unimpressive and nerves were taut ahead of next Tuesday's meeting of the Federal Open Market Committee which is expected to review US interest rates.

In early trade, the FT-SE 100 Index plunged by 22 points to 2,999.2 and dealers looked distinctly nervous at this loss of the psychologically important 3,000 mark. Equity chartists see the next support levels in the FT-SE 2,970 area if the market continues to slide.

However, a good recovery was made and the FT-SE 100 Index closed at 3,028.2 for a net gain of 7 points, having touched 3,035.8 at the day's best.

The Footsie has fallen by just over 1 per cent this week as interest rate concern has focused on the Bundesbank and the US Federal Reserve and also on trading statements from leading British companies.

Nervousness over the outlook for UK company profits forecasts heightened yesterday after reports that shares in Hanson had been downgraded by the company's own stockbroker. There were heavy falls among food retailers after analysts marked the sector a sell on fears prompted by the latest evidence that the price war is reviving in markets already faced by severe price competition and tighter profit margins.

Kleinwort Benson Securities this week became the first UK securities house to sharply reduce its forecasts for UK corporate profits for this year and next while BZW warned yesterday that faith in strong earnings growth "might be misplaced".

The FT-SE Mid 250 Index, with a range extending to second line issues, steadied yesterday, closing 1.2 firmer at 3,560.9. But traders said there was little substance behind the equity rally. Seaq volume of 547.7m shares was little changed from Thursday.

Bond prices, uneasy at first, moved ahead in the wake of regional cost of living data from Germany indicating that inflation pressures were more subdued last month. However, UK bonds remained cautious ahead of next week's auction of British government securities. With US bonds uncertain in early trading, London gilts finished below the best.

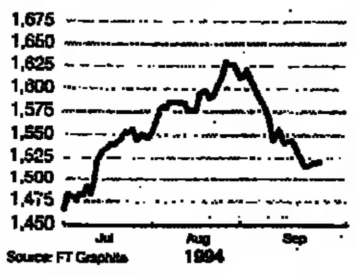
Long-dated gilts closed around ⅜ better on the day but the shorts were only a touch above overnight quotations. Sentiment was also helped by comments from the Governor of the Bank of England that it may be some time before the effects of the latest base rate hike are known; the market took this as favourable for near-term rate prospects.

Statistics on second quarter gross domestic product and balance of payments had little lasting impact on either gilts or equities, and there was little immediate reaction to the latest survey of monthly business trends by members of the Confederation of British Industries.

The improvement in the stock market was largely a matter of recoveries in sectors badly hit earlier in the week by interest rate worries. Banks, stores and construction companies were all better on this account, with the builders additionally boosted by the strong response to excellent half-time figures from RMC in the previous session.

But many of the heavyweight blue chips, including the oils and pharmaceuticals, lacked supporters and the market closed on a cautious note ahead of the equity final trading week of the third quarter of the year. The FT-SE Index has fallen by nearly 8 per cent since the end of last month and traders noted that retail, or genuine investment activity in equities has remained high throughout the period.

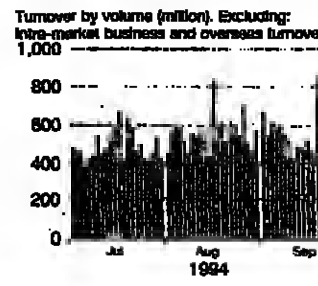
FT-SE-A All-Share index



Source: FT Graphite

Equity Shares Traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



■ Key Indicators

Indices and ratios		
FT-SE Mid 250	3560.9	-1.2
FT-SE-A 350	1528.7	+2.8
FT-SE-A All-Share	1518.58	+2.23
FT-SE-A All-Share yield	3.95	(3.86)
FT Ordinary Index	2347.2	+7.0
FT-SE-A Non Fins p/e	18.66	(18.66)
FT-SE 100 Fut Dec	3043.0	+12.0
10 yr Gilt yield	8.96	(9.01)
Long gilt/equity yld ratio:	2.27	(2.27)

FT-SE 100 Index	
Closing index for Sep 23	3028.2
Change over week	-36.8
Sep 22	3021.2
Sep 21	3014.8
Sep 20	3037.3
Sep 19	3079.1
High*	3085.3
Low*	2999.2

*Intra-day high and low for week

TRADING VOLUME

■ Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change		Vol. 000s	Closing price	Day's change
3i†	554	336		Lonrho	826	134	+½
ASDA Group†	17,600	61½	-1½	Lucas	3,400	186	+3
Abbey National†	953	380	+2	MEPC†	538	443	+10
Albert Fisher	6,500	49		MFI	1,400	139	
Allied Domecq†	1,000	675	+7	Manweb	100	818	-5
Anglian Water	170	540	+6	Marks & Spencer†	3,600	408	+4
Argos	1,500	322	-6	Midlands Elect.	802	790	-9
Argyll Group†	7,400	268	-9	Morrison (Wm.)	1,000	134	-4
Arjo Wiggins†	2,100	268	+3	NFC	2,000	161	-1
[illegible]				[illegible]			
General Elect.†	3,100	287	+3½	Sun Alliance†	1,000	319	+4
Glaxo†	3,000	572	-2	T&N	298	224	-2
Glynwed	89	327½	-1	TI Group†	1,100	350	
Granada†	3,000	501	+10	TSB†	1,600	214	+1
Grand Met.†	2,300	401	+2	Tarmac	1,100	147	+1
GUS†	729	550	+4	Tate & Lyle	508	434	
GRE†	258	180	+1	Taylor Woodrow	553	127	+1
GKN†	1,100	606	+2	Tesco†	3,900	232½	-6½
Guinness†	2,400	451	+3	Thames Water†	382	498	-1
HSBC (75p shs)†	2,200	703	+7	Thorn EMI†	944	995	+14
Hammerson	1	328	+3	Tomkins†	3,300	215	-2
Hanson†	18,000	230½	-5½	Trafalgar House	501	67	
Harrisons Crosfield	1,300	166	+3	Unigate	278	363	-4
Hays	185	269		Unilever†	1,300	1100	+3
Hillsdown	1,500	178	-2	United Biscuits†	318	304	
IMI	145	302		Utd. Newspapers	837	501	+1
ICI†	1,000	823	-5	Vodafone†	7,200	198	+3½
Inchcape†	2,000	410	+12	Warburg (SG)†	222	709	-2
Johnson Matthey	83	569	-2	Wellcome†	927	684	-6
Kingfisher†	1,300	481	-2	Welsh Water	179	644	+3
Kwik Save	260	572	-17	Wessex Water	117	600	+2
Ladbroke†	2,300	158	+1	Whitbread†	730	534	+3
Land Securities†	1,600	616	+11	Williams Hldgs.†	5,000	331	+6
Laporte	135	734	-6	Willis Corroon	1,300	152	+3
Legal & General†	198	447		Wimpey	930	143	-1
Lloyds Abbey	108	340	-1	Wolseley†	670	761	+4
Lloyds Bank†	2,100	540	+10	Yorkshire Elect.	549	753	-5
LASMO	1,400	152	-2	Yorkshire Water	113	520	-2
London Elect.	1,400	714	-3	Zeneca†	890	822	-3

Based on trading volume for a selection of major securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down. † Indicates an FT-SE 100 index constituent.

EQUITY FUTURES AND OPTIONS TRADING

Stock index futures ended the day roughly where they were at Thursday's close but volume was healthier and the mood among traders far more relaxed.

The FT-SE December contract was mostly content to track the cash market, hitting a low point of 3,008 early in the morning and peaking at 3,059 around 1pm. At the close the contract stood at 3,043.

There were 12,701 contracts, up from 10,000 in the previous session. Traded option volume jumped sharply, rising to 42,979 lots, against 31,858 on Thursday.

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	3019.0	3043.0	+12.0	3057.0	3008.0	13261	51958
Mar		3068.0	+12.5			0	975

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	3540.0	3555.0	-5.0	3540.0	3540.0	50	3391

■ FT-SE MID 250 INDEX FUTURES (OMLX) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	-	N/A	-	-	-	-	0

All open interest figures are for previous day. † Exact volume shown.

■ FT-SE 100 INDEX OPTION (LIFFE) (*3028) £10 per full index point

	2850 C	2850 P	2900 C	2900 P	2950 C	2950 P	3000 C	3000 P	3050 C	3050 P	3100 C	3100 P	3150 C	3150 P	3200 C	3200 P
Oct	191	11½	148½	18	119	29½	77	45½	50	69	29½	99½	16½	136½	8½	178½
Nov	[illegible]															188½
Dec	[illegible]															201
Jun†	[illegible]															210
Jun†	[illegible]															240½

Calls 6,018 Puts 6,127

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

	2875		2925		2975		3025		3075		3125		3175		3225	
Oct	[illegible]															198½
Nov	[illegible]															202½
Dec	[illegible]															212
Mar	[illegible]															227½
Jun†	[illegible]															239½

Calls 924 Puts 2,012 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

■ EURO STYLE FT-SE MID 250 INDEX OPTION (OMLX) £10 per full index point

	3500	3550	3600	3650	3700	3750	3800	3850
Dec	-	-	-	-	-	-	-	-

Calls 0 Puts 0 Settlement prices and volumes are taken at 4.30pm. OMLX data was unavailable for this edition.

FT-SE-A INDICES - LEADERS & LAGGARDS

Percentage changes since December 31 1993 based on Friday September 23 1994

Printing, Paper & Pckg	+8.63	Health Care	-6.05	Textiles & Apparel	-11.88
Oil Exploration & Prod	+8.16	FT-SE Mid 250	-6.08	Gas Distribution	-12.14
Extractive Industries	+8.13	Gen Manufacturers	-6.18	Water	-12.49
Engineering, Vehicles	+7.61	Food Manufacturers	-7.24	Household Goods	-13.57
Mineral Extraction	+4.00	Non-Financials	-7.80	Merchant Banks	-13.80
Oil, Integrated	+3.13	Investment Trusts	-8.34	Life Assurance	-14.30
Chemicals	+2.55	Pharmaceuticals	-8.54	Transport	-14.41
FT Gold Mines Index	+1.97	Electronic & Elec Equpt	-9.18	Building Materials	-15.08
Engineering	+1.89	Services	-9.28	Retailers, General	-15.11
Electricity	+0.47	FT-SE-A All-Share	-9.68	Distributors	-15.35
FT-SE SmallCap ex IT	-0.10	Support Services	-9.74	Building & Construction	-17.61
Leisure & Hotels	-1.11	Spirits, Wines & Ciders	-10.16	Property	-18.03
FT-SE SmallCap	-1.29	Consumer Goods	-10.21	Telecommunications	-18.29
Retailers, Food	-1.31	FT-SE-A 350	-10.23	Financials	-18.59
Breweries	-3.84	Utilities	-11.20	Banks	-20.38
Media	-5.67	FT-SE 100	-11.41	Insurance	-21.08
FT-SE Mid 250 ex IT	-5.73	Diversified Industries	-11.53	Tobacco	-24.84

FT - SE Actuaries Share Indices — The UK Series

	Sep 23	Day's chge%	Sep 22	Sep 21	Sep 20	Year ago	Div. yld%	Earn. yld%	P/E ratio	Xd adj. ytd	Total Return	1994 High		1994 Low		Since Compilation High		Since Compilation Low	
FT-SE 100	3028.2	+0.2	3021.2	3014.8	3037.3	3005.2	4.17	7.20	16.40	88.63	1144.79	3520.3	2/2	2876.6	24/6	3520.3	2/2/94	986.9	23/7/84
FT-SE Mid 250	3560.9	—	3562.1	3570.1	3584.5	3431.9	3.50	5.74	20.98	85.81	1324.56	4152.8	3/2	3363.4	27/6	4152.8	3/2/94	1379.4	21/1/86
FT-SE Mid 250 ex Inv Trusts	3561.0	-0.1	3564.0	3572.8	3586.4	3447.3	3.66	6.21	19.56	96.97	1321.49	4160.7	19/1	3362.4	27/6	4160.7	19/1/94	1378.3	21/1/86
FT-SE-A 350	[illegible]																		
FT-SE SmallCap	[illegible]																		
FT-SE SmallCap ex Inv Trusts	[illegible]																		
FT-SE-A ALL-SHARE	[illegible]																		

■ FT-SE Actuaries All-Share

	Sep 23	Day's chge%	Sep 22	Sep 21	Sep 20	Year ago	Div. yld%	Earn. yld%	P/E ratio	Xd adj. ytd	Total Return	1994 High		1994 Low		Since Compilation High		Since Compilation Low	
10 MINERAL EXTRACTION(18)	[illegible]																		
12 Extractive Industries(4)	[illegible]																		
15 Oil, Integrated(3)	[illegible]																		
16 Oil Exploration & Prod(11)	[illegible]																		
20 GEN MANUFACTURERS(269)	[illegible]																		
21 Building & Construction(33)	[illegible]																		
22 Building Matls & Merchs(32)	[illegible]																		
23 Chemicals(23)	[illegible]																		
24 Diversified Industrials(16)	[illegible]																		
25 Electronic & Elect Equip(34)	[illegible]																		
26 Engineering(70)	[illegible]																		
27 Engineering, Vehicles(12)	[illegible]																		
28 Printing, Paper & Pckg(26)	[illegible]																		
29 Textiles & Apparel(20)	[illegible]																		
30 CONSUMER GOODS(87)	[illegible]																		
31 Breweries(17)	[illegible]																		
32 Spirits, Wines & Ciders(10)	[illegible]																		
33 Food Manufacturers(23)	[illegible]																		
34 Household Goods(13)	2474.70	+1.1	2447.51	2458.86	2443.16	2568.30	3.64	7.86	16.33	55.79	853.47	2694.14	18/2	2342.74	27/6	2694.14	18/2/94	927.10	21/1/86
36 Health Care(21)	1659.66	-0.3	1664.00	1659.38	1659.65	1718.60	3.01	3.25	43.21	38.18	959.62	1908.13	19/1	1572.17	8/7	2047.40	28/9/87	972.60	21/1/86
37 Pharmaceuticals(12)	2980.92	-0.3	2987.02	2950.14	2962.12	3104.90	4.42	7.18	18.12	125.18	953.78	3238.01	26/8	2841.70	1/8	4168.90	14/1/92	953.70	13/1/86
38 Tobacco(1)	3489.88	—	3488.88	3458.30	3422.75	4039.00	6.22	9.85	10.90	217.07	796.07	4718.66	7/1	3120.74	24/6	4739.83	29/12/93	982.00	9/1/86
40 SERVICES(221)	1892.71	—	1891.85	1895.88	1911.16	1875.30	3.28	6.38	18.88	46.03	928.41	2207.77	10/1	1854.19	27/6	2207.77	19/1/94	944.90	23/1/86
41 Distributors(31)	2508.02	+1.0	2482.28	2503.21	2521.84	2558.80	3.63	7.14	16.53	65.94	986.10	3319.33	2/2	2482.28	22/6	3319.33	2/2/94	988.50	21/1/86
42 Leisure & Hotels(25)	2054.97	+1.3	2028.77	2011.06	2027.79	1900.50	3.42	4.73	24.98	63.44	1013.87	2360.62	17/2	1984.16	6/7	2360.62	17/2/94	975.40	21/1/86
43 Media(39)	2773.74	+0.6	2757.87	2784.20	2784.29	2518.40	2.49	6.33	21.86	65.05	983.60	3349.11	17/2	2676.11	27/6	3349.11	17/2/94	976.20	9/1/86
44 Retailers, Food(16)	1701.76	-3.3	1760.73	1800.84	1823.20	1723.60	3.80	9.30	13.21	45.77	1018.88	1914.20	19/1	1611.94	25/4	2238.20	28/1/93	917.40	21/1/86
45 Retailers, General(45)	1627.39	+0.5	1618.87	1607.93	1613.37	1659.90	3.23	6.64	18.71	37.80	868.03	1910.87	4/1	1607.03	21/9	1934.24	29/12/92	879.10	9/12/88
48 Support Services(41)	1514.69	-0.2	1517.34	1535.87	1552.43	1622.00	2.78	6.36	18.52	30.26	919.86	1866.45	2/2	1478.20	28/6	1866.45	2/2/94	939.00	1/2/91
49 Transport(16)	2234.96	+0.8	2217.84	2216.79	2243.78	2245.40	3.78	5.86	20.80	57.46	876.96	2805.98	3/2	2164.89	24/6	2805.98	3/2/94	950.00	14/1/86
51 Other Services & Business(8)	1274.88	-0.6	1281.87	1292.14	1309.84	1277.00	3.87	2.30	76.74	23.00	1002.60	1309.58	10/2	1130.82	21/4	2458.30	16/7/87	983.10	14/1/86
60 UTILITIES(36)	2380.52	-0.2	2384.38	2378.11	2379.87	2340.40	4.42	7.90	15.42	73.42	916.97	2782.33	2/2	2100.92	24/6	2782.33	2/2/94	802.59	3/10/86
62 Electricity(17)	2507.57	-1.1	2534.54	2541.22	2519.81	2028.20	3.65	9.61	12.17	83.46	1042.60	2784.74	30/8	2024.12	24/6	2784.74	30/8/94	985.30	7/1/91
64 Gas Distribution(2)	1988.47	-2.4	2037.10	2018.01	1998.89	2184.20	6.03	‡	‡	66.79	908.75	2369.77	7/1	1884.20	24/6	2379.30	18/12/93	894.90	9/12/88
66 Telecommunications(4)	1964.61	+1.3	1939.62	1921.76	1946.62	2105.80	4.21	8.01	15.20	50.22	837.79	2450.42	2/2	1894.88	1/8	2481.20	29/12/93	862.50	3/10/86
68 Water(13)	1822.63	+0.3	1819.39	1826.77	1837.24	1883.40	5.33	13.02	8.37	69.35	911.12	2126.79	3/2	1698.71	27/6	2126.79	3/2/94	934.70	1/5/90
69 NON-FINANCIALS(638)	1643.83	—	1643.19	1641.27	1650.21	1610.21	3.93	8.43	18.68	49.38	1160.99	1870.36	2/2	1582.89	24/6	1870.36	2/2/94	63.49	13/12/74
70 FINANCIALS(104)	2127.77	+0.7	2113.09	2116.40	2143.11	2171.50	4.51	8.27	12.51	61.14	843.48	2737.13	4/2	2094.74	24/6	2737.13	4/2/94	972.20	23/1/86
71 Banks(10)	2754.52	+1.6	2727.62	2747.79	2779.43	2637.00	4.37	10.40	11.01	114.84	827.77	3601.50	4/2	2616.77	8/7	3601.55	4/2/94	958.60	23/1/86
73 Insurance(17)	1197.94	+0.8	1188.20	1177.39	1202.76	1447.60	5.41	9.85	11.61	48.56	918.51	1593.51	24/1	1153.82	24/8	1624.20	29/12/93	870.80	25/8/92
74 Life Assurance(6)	2332.51	-0.5	2343.77	2321.74	2355.51	2607.70	5.47	8.21	14.75	88.80	887.84	2821.37	19/1	2180.61	1/8	2821.37	19/1/94	987.70	23/1/86
75 Merchant Banks(6)	2941.76	-1.4	2983.02	2999.46	3062.64	3000.60	3.51	11.23	10.37	84.35	887.22	3761.29	2/2	2638.56	1/7	3761.29	2/2/94	982.80	27/1/86
77 Other Financial(24)	1869.75	—	1870.47	1881.10	1901.20	1789.80	3.87	8.39	14.21	53.72	997.93	2279.36	4/2	1792.93	4/7	2279.36	4/2/94	856.30	1/10/90
79 Property(41)	1471.37	+1.2	1453.75	1443.31	1449.44	1577.00	4.10	4.26	28.71	39.80	840.51	1898.88	4/2	1443.31	21/9	2132.40	5/9/89	718.40	16/9/92
80 INVESTMENT TRUSTS(124)	2776.65	+0.2	2770.16	2772.05	2785.87	2633.30	2.22	1.94	52.08	51.20	933.05	3184.31	2/2	2618.95	27/6	3184.31	2/2/94	977.29	14/1/86
89 FT-SE-A ALL-SHARE(808)	1519.58	+0.1	1517.35	1516.33	1528.22	1494.49	3.85	6.79	17.74	46.93	1194.87	1764.11	2/2	1445.85	24/6	1764.11	2/2/94	61.92	13/12/74

■ Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	3017.0	3003.0	3014.7	3021.6	3026.4	3035.7	3032.6	3028.4	3028.2	3035.8	2999.2
FT-SE Mid 250	3557.6	3549.0	3549.5	3555.1	3558.2	3561.5	3561.7	3561.1	3560.6	3562.4	3545.9
FT-SE-A 350	1524.1	1517.8	1522.3	1525.6	1527.8	1531.7	1530.6	1528.8	1528.7	1531.7	1516.0

Time of FT-SE 100 High: 1.05pm Low: 9.08am

■ FT-SE Actuaries 350 Industry baskets

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Bldg & Cnstrcn	1016.6	1016.6	1016.8	1018.7	1018.3	1019.9	1019.7	1018.7	1018.7	1018.7	1017.3	+1.4
Pharmaceuticals	2948.0	2929.5	2940.1	2952.9	2952.9	2966.8	2963.9	2955.0	2955.1	2953.1	2959.3	-6.2
Water	1814.5	1807.8	1805.8	1809.4	1814.0	1827.8	1827.7	1824.0	1819.8	1819.8	1816.5	+3.3
Banks	2784.4	2753.0	2765.8	2768.8	2777.8	2791.5	2786.6	2785.7	2785.9	2788.5	2761.1	+27.4

Equity section or group	Base date	Base value	Equity section or group	Base date	Base value	Equity section or group	Base date	Base value	Equity section or group	Base date	Base value
[illegible]	31/12/92	1000.00	FT-SE Mid 250 ex Inv Trusts	31/12/85	1412.60	Water	29/12/89	1000.00	UK Gilts Indices	31/12/75	100.00
FT-SE Total Return Indices	31/12/92	1000.00	FT-SE-A 350	31/12/85	682.94	Non-Financials	10/4/62	100.00	Index-Linked	30/4/82	100.00
FT-SE SmallCap	31/12/92	1363.79	FT-SE 100	31/12/83	1000.00	FT-SE-A All-Share	10/4/62	100.00	Debs and Loans	31/12/77	100.00
FT-SE SmallCap ex Inv Trusts	31/12/92	1363.79	Electricity	31/12/90	1000.00	All Other	31/12/85	1000.00			
FT-SE Mid 250	31/12/85	1412.60									

The FT-SE 100, the FT-SE Mid 250 and the FT-SE Actuaries 350 Indices are compiled by the London Stock Exchange and the FT-SE Actuaries All-Share Index and the FT-SE SmallCap Index are compiled by The Financial Times Limited, both in conjunction with the Institute of Actuaries and the Faculty of Actuaries under a standard set of ground rules. © The International Stock Exchange of the United Kingdom and Republic of Ireland Limited 1994. © The Financial Times Limited 1994. All rights reserved. "FT-SE" and "Footsie" are joint trade marks and service marks of the London Stock Exchange and The Financial Times Limited. Auditor: The WM Company. † Sector P/E ratios greater than 80 are not shown. ‡ Values are negative. QUARTERLY CONSTITUENT CHANGES: For full details refer to edition dated Sep 8 (page 25). NAME CHANGES: Allied Lyons is now Allied Domecq (33). Owners Abroad is now First Choice Holidays (42).

Heavy volume in Hanson

International conglomerate Hanson attracted attention in the second half of the session on reports that Hoare Govett, the company's broker, had downgraded profit expectations. The shares slipped 4¼ to 230½p in heavy trading that saw volume soar to 18m.

Unconfirmed reports suggested that Hoare Govett had reduced current year profit expectations at the Anglo-US group by £25m to £990m for the year to September 1994, and the following year's figure by £85m to £1,335m.

The broker was reported to have cited several reasons for this including the weaker US dollar; the progressive impact of higher interest rates on the company's borrowing costs; and pricing pressure at Cavenham, Hanson's forestry products division and at its Peabody coal operations.

The stock was also the most actively traded in options, with the equivalent of 9.3m shares traded by the close of business.

Steel strong

British Steel, a big stockmarket outperformer in recent weeks, gained 7 to 164½p on the news that it planned to increase strip steel prices by up to a tenth from January.

The shares provided London with its second heaviest individual turnover of the day (13m shares) and extended their outperformance of the stockmarket over the past month to around an eighth.

Panmure Gordon produced an instant buy recommendation but yesterday there were very few securities houses were not talking bullishly about the profits implications of the latest steel price gearing.

Retailers hit

Food retailing stocks remained under pressure as fears of an impending price war continued to overhang the sector. Sentiment was further weakened when BZW removed the sector from its buy list to place it on hold.

The fears were sparked by Tesco's comments on trials for lower regional pricing in parts of northern England.

The sector's main casualty was J Sainsbury whose shares tumbled 19 to 397p, in trade of 5.7m. Argyll Group gave up 9 to 268p on the same worries while Tesco finished 6¼ lighter at 232½p. Kwik Save retreated 17 to 572p.

British Gas was in the bunt as one of the FT-SE 100's worst performers as the shares retreated in the wake of a negative recommendation from one of the leading international broking houses.

Nomura confirmed it had downgraded Gas from a buy to a hold after the stock had outperformed the all-share index by 14 per cent over the past three months.

Mr Steve Turner, analyst at Nomura, said "the historic yield premium of 50 per cent, against the market, would now seem to fairly reflect Gas's growth prospects."

At the close Gas shares were 7¼ lower at 299¼p; turnover of 10m shares was the fourth highest in the FT-SE 100 list.

The utilities sectors of the market were among the most volatile areas of the market after the utilities team at Hoare Govett, the stockbroker, advised its clients to switch from the "recs" that have already embarked on a share-buy programme into the water stocks.

Hoare's utilities team said: "With the recs sector, having moved to an all-time relative high and with the close periods of the recs fast approaching, it seems appropriate to topslice."

Hoare recommended a switch from South Wales, down 5 at 803p, Northern, 11 off at 771p, and Manweb, down 5 at 818p into Severn Trent, a penny harder at 537p, Welsh, 3 up at 644p and Thames Water, marginally easier at 498p.

A whiff of takeover speculation circulated in the insurance sectors of the market although dealers were hard pressed to pinpoint where the potential bid activity would be focused.

Commercial Union settled 3 firmer at 498p, and General Accident put on 5 to 555p, while Royals edged up 3 to 273p and Sun Alliance 4 to 319p.

Standard Chartered was a notable casualty in an otherwise strong banks sector, the shares said to have been affected by bearish stances adopted by Nomura and Hoare Govett. At the close Standard were 8 off at 256p. Lloyds Bank rose 10 to 540p after the Department of Trade gave the go-ahead for its merger with the Cheltenham and Gloucester Building Society.

Inchcape moved up 12 to 410p following the announcement that its insurance broking business was in co-operation talks with Acordia of the US, number seven in the world insurance broking league.

With some 2m shares changing hands, the stock shrugged aside persistent speculation about weak profits – and a possible dividend cut – when the company reports its interim results on Monday.

Transport shares were active with British Airways hit by fare war worries, rebounding 7 to 373p and bus operator Go-Ahead moving up 6 to 132p following strong results and a takeover.

Go-Ahead combined news of widening operating margins with the announcement that it was paying £20m – almost half of its stockmarket capitalisation – for London Central Bus.

Eurotunnel eased 1 to 269p as rumours of renewed financing pressures began to circulate among analysts.

A positive analysts visit to Rank Organisation's film and video operations on Thursday boosted the stock yesterday leaving the shares 12 ahead at 413p.

The clutch of broker's recommendations for Granada Group made this week after discussions with analysts about the state of trading continued to support the shares. They added another 10 to 501p.

Media shares managed a number of modest rebounds with Carlton Communications rising 14 in thin volume (1.4m trades) to 817p and Pearson group, heavily sold in recent days, gaining 12 to 567p.

Reports of a buy recommendation from NatWest Securities helped Guinness shake off the gloom that followed Thursday's figures which came in at the bottom of market expectations. The shares advanced 3 to 451p.

■ CHIEF PRICE CHANGES YESTERDAY

London (Pence)

Rises			
Brit Biotech	544	+	14
Brit Steel	164	+	6½
Granada Grp	501	+	10
Inchcape	410	+	12
Lloyds Bank	540	+	10
Rank Org	413	+	12
Servomex	267	+	5
TGI	99	+	4
Falls			
Argyll Grp	268	-	9
Brockhampton	410	-	13
Hanson	230½	-	5½
Hepworth	298	-	8
IAWS	91	-	3
Jeyes Group	163	-	13
Kleinwort Benson	466	-	7
Kwik Save	572	-	19
Ramco	217	-	10
Sainsbury (J)	397	-	19
Schroders	1453	-	45

NEW HIGHS AND LOWS FOR 1994

NEW HIGHS (27).

DIVERSIFIED INDLS (1) Antofagasta, ELECTRNC & ELECT EQUP (3) Forward Tech, Magnum Power, TGI, ENGINEERING (2) Domnick Hunter, Kalsey Inds., EXTRACTIVE INDS (8) INVESTMENT TRUSTS (1) Sphere Zero Dv Prf., LEISURE & HOTELS (1) Bristol Scotts, OIL, EXPLORATION & PROD (1) Dana Expln, PHARMACEUTICALS (2) British Biotech, Do. Wrts, RETAILERS, GENERAL (1) Fired Earth, SPIRITS, WINES & CIDERS (1) Macallan-Glenlivet, SUPPORT SERVS (1) Sema, TRANSPORT (3) Applied Distribution, GRT Bus, Go-Ahead, AMERICANS (1) Amer. Cyanamid.

NEW LOWS (120).

GILTS (2) BUILDING & CNSTRN (4) Crest Nichol 5½pc Prf., Laing (J) 6.4pc Cv Pf., Raine, Westminster Scaffolding, BLDG MATLS & MCHTS (4) Heywood Williams, Do. Cnv. Prf., Ibstock Wnts, Titon, CHEMICALS (3) Cementone, Do. Wrts, Courtaulds, DISTRIBUTORS (10) DIVERSIFIED INDLS (4) Berlo, Hanson, Do. 9½pc Cnv Bd, Hanson Warrants, ELECTRNC & ELECT EQUP (5) Bowthorpe, Delta, Telemetrix, VideoLogic, Vtech, ENGINEERING (8) Aerostructures Hamble, Glynwed, Morgan Crucible, Do. 7.5pc Cv Prf., Roxspur, Whatman, ENG, VEHICLES (5) AAF, BBA, Do. 6.75pc Cnv. Prf., Mid-States, Motor World, FOOD MANUF (2) Everest Foods, Northern Foods, HEALTH CARE (1) Scholl, HOUSEHOLD GOODS (2) Creighton Naturally, Jeyes, INSURANCE (4) Heath (C.E.), New London Capital, Sedgwick, Syndicate Capital, INVESTMENT TRUSTS (24) INVESTMENT COMPANIES (1) Latin American Extra Yield, LEISURE & HOTELS (2) Break for the Border, Kunick Prf., MEDIA (1) Pearson, OIL EXPLORATION & PROD (1) Schlumberger, OIL, INTEGRATED (1) Mobil, OTHER FINANCIAL (6) Berry, Birch & Noble, Energy Capital, Exco, Intrum Justitia, Johnson Fry, Sharelink Inv Servs, OTHER SERVS & BUSNS (1) General Motors Uts. PHARMACEUTICALS (2) Grampian, Huntingdon, PRTNG, PAPER & PACKG (4) API, Hunters Armley, Sidlaw, Watmoughs, PROPERTY (4) Cleveland Trust, Panther, Peel, Slough Ests. Prf, RETAILERS, GENERAL (2) Rosebys, Sears, SUPPORT SERVS (4) BSM, Coutts Consulting, McDonnell Info, RCO, TEXTILES & APPAREL (2) Coats Viyella, Rexmore, TOBACCO (1) Mid Kent Wrts, TRANSPORT (2) CSX, Tibbett & Britten, AMERICANS (10)

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

AUTHORISED UNIT TRUSTS

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The minimum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set at the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071-379-0444.

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OTHER UK UNIT TRUSTS

INSURANCES

FT MANAGED FUNDS SERVICE

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Scottish Mutual Assurance plc - Contd.

Scottish Provident Group

Sun Life Unit Assurance Ltd

Swiss Life (UK) PLC

Century Life International Ltd - Contd.

Eagle Star Intl Life

Equitable Life (International)

OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

FT MANAGED FUNDS SERVICE

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American Phoenix Investment Portfolios (u)

13 rue Goethe, L-1637 Luxembourg

BAII Intermarket Fund

Bank Von Ernst & Cie AG

Von Ernst Global Portfolio

Barclays Diversified Portfolio (z)

14 rue Aldringen L-1118

Henderson Management SA (u)

Henderson Horizon Fund

Hypo Foreign & Colonial Port Fd Shares(u)

INVESCO International Limited (u)

PO Box 271, St Helier, Jersey

LUXEMBOURG (REGULATED)(**)

Alliance Capital

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

WORLD STOCK MARKETS

NORTH AMERICA

UNITED STATES (Sep 23 / US$) (5.0pm)

[illegible]

CANADA (Sep 23 / Can. $) (5.0pm)

[illegible]

EUROPE

AUSTRIA (Sep 23 / Sch)

[illegible]

BELGIUM/LUXEMBOURG (Sep 23 / Frs.)

[illegible]

DENMARK (Sep 23 / Kr)

[illegible]

FINLAND (Sep 23 / Mkk)

[illegible]

FRANCE (Sep 23 / Frs.)

[illegible]

GERMANY (Sep 23 / Dm.)

[illegible]

ITALY (Sep 23 / Lire)

[illegible]

NETHERLANDS (Sep 23 / Fls.)

[illegible]

NORWAY (Sep 23 / Kroner)

[illegible]

SPAIN (Sep 23 / Pts.)

[illegible]

SWEDEN (Sep 23 / Kronor)

[illegible]

SWITZERLAND (Sep 23 / Frs.)

[illegible]

AFRICA

SOUTH AFRICA (Sep 23 / Rand)

[illegible]

PACIFIC

JAPAN (Sep 22 / Yen)

[illegible]

AUSTRALIA (Sep 23 / Aust$)

[illegible]

HONG KONG (Sep 23 / H.K.$)

[illegible]

MALAYSIA (Sep 23 / MYR)

[illegible]

SINGAPORE (Sep 23 / S$)

[illegible]

INDICES

	Sep 23	Sep 22	Sep 21	1994 High		1994 Low	
Argentina							
General (29/12/77)	(u)	20800.95	20635.72	25470.40	16/2	17756.80	20/4
Australia							
All Ordinaries(1/1/80)	2027.7	2028.2	2026.8	2340.60	3/2	1957.40	27/6
All Mining(1/1/80)	1085.2	1081.2	1076.4	1136.10	3/2	904.60	5/5
Austria							
Credit Aktien(30/12/84)	402.52	399.54	398.61	460.66	2/2	390.97	22/6
Traded Index(2/1/91)	1089.03	1077.30	1077.89	1222.25	1/2	1011.36	6/6
Belgium							
BEL20 (1/1/91)	1397.62	1396.80	1397.47	1642.85	9/2	1363.96	13/7
Brazil							
Bovespa (29/12/83)	(u)	53962.0	53059.0	56110.00	13/9	3800.90	3/1
Canada							
Metals Minls♦(1975)	(u)	4136.89	4153.55	4260.59	19/9	3289.06	20/4
Composite♦ (1975)	(u)	4362.70	4358.62	4609.90	23/3	3939.90	24/6
Portfolio§§ (4/1/83)	(u)	2081.51	2071.57	2182.88	1/2	1869.46	28/6
Chile							
IPGA Gen (31/12/80)	(u)	4945.5	4944.9	4947.40	16/9	3001.20	4/4
Denmark							
CopenhagenSE(3/1/83)	351.18	351.75	352.01	415.79	2/2	351.18	23/9
Finland							
HEX General(28/12/90)	1864.1	1842.6	1862.0	1972.00	4/2	1601.10	3/1
France							
SBF 250 (31/12/90)	1291.75	1278.47	1280.23	1586.20	2/2	1265.38	4/7
CAC 40(31/12/87)	1927.35	1890.37	1887.10	2355.93	2/2	1888.18	4/7
Germany							
FAZ Aktien(31/12/58)	790.32	786.75	785.10	859.27	18/5	757.51	27/6
Commerzbank(1/12/53)	2247.3	2236.3	2230.9	2465.50	2/5	2149.30	27/6
DAX (30/12/87)‡	2089.12	2073.03	2079.50	2271.11	16/5	1968.82	20/6
Greece							
Athens SE(31/12/80)	852.58	854.89	852.29	1194.59	18/1	806.67	25/5
Hong Kong							
Hang Seng(31/7/64)	9532.47	9668.14	(c)	12201.09	4/1	8369.44	4/5
India							
BSE Sens.(1979)	4496.53	4451.78	4507.11	4628.57	12/9	3484.00	5/1
Indonesia							
Jakarta Comp.(10/8/82)	512.57	513.16	517.08	612.89	5/1	449.72	12/7
Ireland							
ISEQ Overall(4/1/88)	1855.57	1868.50	1865.14	2082.16	20/1	1694.14	1/7
Italy							
Banca Comm Ital (1972)	668.19	671.13	673.34	817.17	10/5	588.86	10/1
MIB General (4/1/94)	1083.0	1087.0	1099.0	1316.00	10/5	944.00	10/1
Japan							
Nikkei 225 (16/5/49)	(c)	19833.67	19885.38	21552.81	13/6	17369.74	4/1
Nikkei 300 (1/10/82)	(c)	289.65	289.84	311.71	13/6	269.22	4/1
Topix (4/1/68)	(c)	1594.22	1595.95	1712.73	13/6	1445.97	4/1
2nd Section (4/1/68)	(c)	2246.48	2246.84	2542.65	6/7	1873.33	4/1
Malaysia							
KLSE Comp.(4/4/86)	1170.32	1179.88	1181.14	1314.46	5/1	928.33	4/4
Mexico							
IPC (Nov 1978)	(u)	2828.61	2794.83	2881.17	8/2	1957.33	20/4
Netherland							
CBS TtRtnGen(End 83)	428.4	426.8	428.9	454.90	31/1	408.30	21/6
CBS All Shr (End 83)	289.7	288.1	288.4	294.80	31/1	257.80	21/6
New Zealand							
Cap. 40 (1/7/86)	2080.53	2086.43	2074.83	2439.64	3/2	1945.51	11/7
Norway							
Oslo SE(Ind)(2/1/83)	1045.54	1050.51	1057.92	1211.30	28/2	980.81	21/6
Philippines							
Manila Comp (2/1/85)	2959.36	2934.36	2920.46	3308.37	4/1	2307.33	9/3
Portugal							
BTA (1977)	2887.9	2901.3	2929.8	3226.80	18/2	2812.80	20/5
Singapore							
SES All-S'pore(2/4/75)	571.79	565.83	563.04	641.81	4/1	523.29	4/4
South Africa							
JSE Gold (28/9/78)	2468.0¶	2435.0	2471.9	2834.00	7/9	1749.00	14/2
JSE Indl. (28/9/78)	6357.0¶	6342.0	6368.0	6737.00	15/6	5446.00	19/1
South Korea							
KoreaCmpEx(4/1/80)**	1028.59	1034.01	(c)	1034.01	22/9	855.37	2/4
Spain							
Madrid SE (30/12/85)	298.82	294.46	294.79	358.31	31/1	291.43	6/7
Sweden							
AffarsvardsGen (1/2/37)	1428.3	1418.3	1420.2	1603.90	31/1	1334.70	0/7
Switzerland							
Swiss Bk Ind (31/12/58)	1232.01	1230.18	1224.73	1423.34	31/1	7157.97	18/7
SBC General (1/4/87)	928.74	927.36	923.76	1083.29	31/1	888.19	13/7
Taiwan							
WeightedPr.(30/6/66)**	6930.28	6889.88	6898.44	7048.24	17/9	5194.63	19/3
Thailand							
Bangkok SET (30/4/75)	1506.08	1531.43	1531.96	1753.73	4/1	1158.59	4/4
Turkey							
Istanbul Cmp.(Jan 1986)	25770.03	25171.87	24342.51	20663.60	13/1	12960.70	24/3
WORLD							
MS Capital Int (1/1/70)$	630.4*	628.8	630.4	644.00	2/8	581.60	4/4
CROSS-BORDER							
Eurotrack 100(26/10/90)	1343.73	1334.32	1340.24	1549.10	31/1	1303.48	21/6
Euro Top-100 (26/6/90)	1183.58	1175.55	1178.04	1311.01	2/2	1143.08	21/6
JCapelDrgns (31/12/88)	(u)	338.29	341.79	395.18	8/1	290.28	21/3
Barings Emerg.(7/1/92)	190.51	189.99	189.66	190.70	19/9	141.55	21/4

CAC-40 STOCK INDEX FUTURES (MATIF)

	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Sep	1914.0	1938.0	+27.0	1941.0	1909.0	34,683	30,651
Oct	1923.0	1947.0	+27.0	1948.0	1919.0	6,859	10,180
Dec	1941.8	1965.5	+27.0	1967.0	1941.5	2,672	19,081

Open interest figures for previous day.

** Sat Sep 17: Taiwan Weighted Price 7048.24; Korea Comp Ex 1023.81. Base values of all indices are 100 except: Australia All Ordinary and Mining – 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall, Toronto Comp./Metals & Minerals and DAX – all 1,000; JSE Gold – 255.7; JSE 20 Industrials – 264.3; NYSE All Common – 50 and Standard and Poor's – 10. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Sep 23 - 2097.35 +24.82

US INDICES

Dow Jones	Sep 22	Sep 21	Sep 20	1994 High	1994 Low	Since compilation High	Since compilation Low
Industrials	3837.13	3851.60	3869.09	3978.36 (31/1)	3593.35 (4/4)	3978.36 (31/1/94)	41.22 (2/7/32)
Home Bonds	97.28	97.24	97.43	105.61 (21/1)	96.43 (13/9)	108.77 (18/10/93)	54.99 (1/10/81)
Transport	1506.64	1500.56	1516.66	1862.29 (2/2)	1500.56 (21/9)	1862.29 (2/2/94)	12.32 (8/7/32)
Utilities	176.97	176.84	175.86	227.86 (3/1)	175.85 (20/9)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 3862.56 (3886.92) Low 3816.29 (3806.85) (Theoretical♦)
Day's high 3865.05 (3876.10) Low 3833.09 (3821.99) (Actual♦)

Standard and Poors	Sep 22	Sep 21	Sep 20	1994 High	1994 Low	Since compilation High	Since compilation Low
Composite ‡	461.26	461.46	463.36	482.00 (2/2)	438.92 (4/4)	482.00 (2/2/94)	4.40 (1/6/32)
Industrials¶	545.24	546.28	548.83	560.83 (15/9)	510.65 (21/4)	560.83 (15/9/94)	3.62 (21/6/32)
Financial	44.24	43.92	43.98	48.94 (14/6)	41.38 (4/4)	48.48 (25/9/93)	8.64 (1/10/74)
NYSE Comp.	254.52	254.71	255.91	267.71 (2/2)	243.14 (4/4)	267.71 (2/2/94)	4.46 (25/4/42)
Amex Mkt Val	454.91	454.77	456.15	487.89 (2/2)	422.67 (25/6)	487.89 (2/2/94)	29.31 (9/12/72)
NASDAQ Cmp	760.44	760.71	766.74	803.93 (18/3)	693.79 (24/6)	803.93 (18/3/94)	54.87 (31/10/72)

RATIOS

	Sep 10	Sep 9	Sep 2	Year ago
Dow Jones Ind. Div. Yield	2.69	2.71	2.63	2.82
	Sep 21	Sep 14	Sep 7	Year ago
S & P Ind. Div. yield	2.41	2.37	2.37	2.51
S & P Ind. P/E ratio	20.64	20.91	20.96	27.52

STANDARD AND POORS 500 INDEX FUTURES $500 times index

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Dec	462.60	463.80	+1.05	464.20	461.95	67,960	204,183
Mar	-	465.95	-	-	-	146	6,393
Jun	-	469.50	-	-	-	20	2,040

Open interest figures are for previous day.

NEW YORK ACTIVE STOCKS

Thursday	Stocks traded	Close price	Change on day
Ford	5,216,100	27¼	−¼
NovaCare	4,641,300	11⅝	−3¼
Chrysler	4,062,300	45	−⅝
Dig Equip	4,009,800	29⅝	+1⅛
RJ Nabisco	3,810,900	6⅝	—
Countrywde	3,040,400	14⅛	—
AT&T	2,959,200	54⅛	−⅛
Borden	2,877,800	14⅛	+⅛
Gap	2,459,400	33½	1⅛
EMC Corp	2,276,800	19¼	−⅛

TRADING ACTIVITY

● Volume (million)

	Sep 22	Sep 21	Sep 20
New York SE	302.862	351.836	325.901
Amex	14.139	17.574	18.853
NASDAQ	280.854	292.278	273.917
NYSE			
Issues Traded	2,893	2,877	2,873
Rises	1,008	631	468
Falls	1,185	1,559	1,810
Unchanged	700	687	595
New Highs	21	16	31
New Lows	119	182	130

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ¶ Subject to official recalculation.

Prices supplied by Telekurs

FT FREE ANNUAL REPORTS SERVICE

WORLD STOCK MARKETS

AMERICA

Dow steady as Fed meeting is awaited

Wall Street

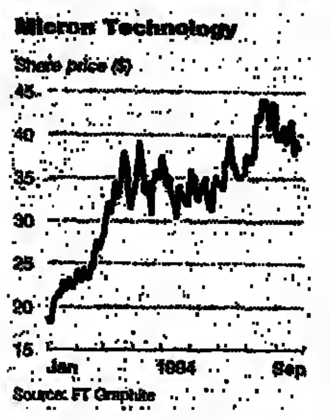
US stocks established a holding pattern yesterday as investors ewaited the outcome of next week's meeting of the Federal Reserve's policy-making arm, *writes Frank McGurty in New York.*

By 1 pm, the Dow Jones Industrial Average was 3.36 lower at 3,833.77, while the more broadly based Standard & Poor'e 500 was down 1.04 et 460.23.

After three days of brisk trading, activity was moderate, with 175m shares traded on the Big Board by early afternoon.

In the secondary markets, the American SE composite was up 0.30 at 455.21, while the Nasdaq composite receded 2.15 to 758.29.

Micron Technology



Source: FT Graphite

After driving the Dow industrials down nearly 100 points in the previous three sessions, investors were still on edge over the prospect of an imminent increase in interest rates. There was no clear consensus on Wall Street on whether the Fed would come down in favour of an immediate tightening of credit conditions during Tuesday's session.

As a result, equity investors seemed content to let share prices drift. Bond traders were also taking a wait-and-see approach.

Trading was quiet and prices across the maturity range moved marginally lower. There was no fresh economic news to disturb the uneasy tranquility.

At first, the lazy mood put stocks on firmer ground, as bargain hunters capitalised on the recent downturn. But as the afternoon approached, the jitters intensified once again, and the blue chip index suddenly was showing a modest loss.

Among the Dow components, Disney dropped $⅜ to $39⅞ amid reports of management turmoil at the company. Boeing shed $⅛ to $42⅞ and Procter & Gamble receded $⅜ to $58⅞. Offsetting the declines, Kodak appreciated $⅜ to $52⅜ and International Paper $⅜ to $77⅜.

The action elsewhere was mixed as well. On the NYSE declining issues were holding e modest edge over advances at midday.

The Big Three car makers fell out of favour, with General Motors losing $1⅛ to $47⅛ and Chrysler dropping $1 to $43⅞. In a related issue, Goodyear Tire shed $⅜ to $32⅜.

Georgia-Pacific was a bright spot, thanks to e favourable rerating by Kidder Peabody. The stock jumped $2⅜ to $73⅞.

In the technology sector, Digital Equipment was marked down $2¼ to $26⅜ on a downgrading by PaineWebber, which said the stock was overvalued.

In early trading, shares in Micron jumped $1⅜ on news that its net income in its fiscal fourth quarter nearly doubled. But the gain eroded as the morning progressed, despite e "strong buy" recommendation by Fahnestock & Company. The issue was trading up e scant $¼ at $38⅜ by early afternoon.

On the Nasdaq, most computer stocks suffered setbacks. Intel was down $1¼ at $63¾, Sun Microsystems retreated $1⅜ to $28⅜ and Oracle gave back $⅜ to $43.

Canada

Toronto was mixed in sluggish midday trading as investors remain sidelined ahead of next week's US Federal Reserve policy committee meeting.

The TSE-300 index eased 2.6 to 4,360.00 in volume of 39.2m shares.

Advancing issues beat declines 277 to 250 with 303 stocks flat.

Eight of the market's 14 sub indices were easier.

Metals and minerals led gains with Rio Algom rising C$⅜ to C$26¼ in volume of 1.5m shares. Transportation and consumer products were among the weakest groups with Cott Corp losing C$⅜ to C$19⅞.

SOUTH AFRICA

Gold shares closed with cautious gains while the stronger financial rand had a dampening effect on activity. Industrials ended firmer but the undertone, brokers said, remained nervous.

The overall index added 1 to 5,755, the gold index made 13 to 2,468 and industrials 18 to 6,358.

De Beers fell R2 to R103, Kloof put on R1.25 to R73 and Freegold fell 50 cents to R73.50. Pick n Pay lost R1.25 to R10 after disappointing annual results.

Mexican equities open session with sharp gains

Mexican stocks opened sharply higher helped by good economic data announced late on Thursday.

Confidence stemmed from a commerce ministry announcement that foreign investment was np 29 per cent in the first eight months of the year against the same period in 1993 and from satisfactory first-half September inflation figures.

The IPC index was up 29.85 at 2,858.36 in turnover of 161.3m pesos.

Traders said Telmex, the national telephone monopoly, was leading the edvance. The L series shares – those available to foreign investors – were up 1.1 per cent et 11.02 pesos.

Brazil

Shares rose 1.6 per cent in São Paulo on heavy early morning trade as two new opinion polls showed that Mr Fernando Henrique Cardoso was likely to win Brazil's presidential elections in the first round.

The Bovespa index was up 885 et 54,837.

EUROPE

Continent ends the week cautiously higher

In spits of a less volatile day's trading in Europe yesterday worries remained over e possible rise in US interest rates next week.

As e consequence Nomura's strategists have advised further eelling of equities for cash, with or without a further rise in short term rates. "Equites are an each-way loser," says Nomura. "Even higher bond yields and the equities dive; bond rallies born out of further short rate rises and/or switching out of equities have sxactly the same effect – note that the Dow fell last Tuesday night *after* the bond market had rallied."

Nomura is pessimistic and has recommended reducing a global equity allocation by 10 per cent to 50 per cent and raising cash to 30 per cent, while aiming to buy bonds between now and the end of the year.

FRANKFURT moved higher on encouraging state inflation data and strength in the bond markets. The Dax index finished up 16.09 at 2,089.12, before rising further to 2,092.75 in the Ibis. Turnover on the day was DM5.7bn and the market gained 1.4 per cent on the week.

Activity again remained low with corporate news only patchy. There were reports that Daimler's long term debt ratings had been downgraded by Standard & Poor's which left the shares off 90 pfennings at DM779 in the Ibis.

PARIS recovered some of the losses of the previous sessions, ending the session, also ths last day of the account, some 1.5 per cent higher and unchanged over the week.

The CAC-40 index closed up 27.98 et 1,927.35.

The account ended with a loss of nearly 4 per cent.

Recommending a neutral stance on the French market Kleinwort Benson noted that foreign investors, who supported the market in 1993 by investing some FFr75bn, have now gone underweight in favour of Germany.

Crédit Lyonnais CIs remained under pressure after the group's postponement of first-half figures. The CIs, which are thinly held, dipped FFr5.80 to FFr395.20.

FT-SE Actuaries Share Indices

Sep 23							THE EUROPEAN SERIES	
Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1337.77	1340.00	1340.92	1343.50	1346.74	1346.06	1343.87	1343.73
FT-SE Eurotrack 200	1380.84	1383.44	1383.58	1386.82	1389.97	1389.79	1387.40	1386.86

	Sep 22	Sep 21	Sep 20	Sep 19	Sep 16
FT-SE Eurotrack 100	1334.32	1340.34	1342.33	1356.96	1358.91
FT-SE Eurotrack 200	1377.84	1383.92	1388.74	1404.55	1408.26

Base 1000 (26/10/90); High/day: 100 - 1347.80; 200 - 1391.15 Low/day: 100 - 1337.77 200 - 1380.84 † Partial

MILAN overcame early disappointment over the failure of the government and unions to agree on pensions reform at e meeting on Thursday as hopes rose for e break in the deadlock on Monday.

The Comit index registered e 2.94 fall to 668.19, taking the week's loss to 1.5 per cent. However, the real-time Mibtel index rose 48 on the day to 10,737.

Olivetti was up L40 at L2,053 after announcing better than feared six-month figures on Thursday. Pirelli wss L16 higher at L2,607 ahead of the release of its first-half results this afternoon.

Generali was down L289 et L39,374 after reporting weaker than expected first-half results.

ZURICH nudged higher in low volume, supported by firmer bond futures, and the SMI index rose 6.2 to 2,609.1, little changed over the week.

Insurance issues, which had an active week, closed mixed. Swiss Re, the subject of speculation that it aims to acquire Elvira, added to the week's advances with an SFr8 rise to SFr571, although analysts noted that the share had fallen by 30 per cent since the beginning of the year following various sell recommendations.

Merkur, the retailer, put on SFr4 to SFr361, ahead of its announcement of better than expected first-half profits and e forecast of improved full year figures.

AMSTERDAM was another beneficiary of the better mood across the continent yesterday. The AEX index improved 3.25 to 403.61m but down elmost 1 per cent on the week.

Hsineken was unchanged st Fl 238. Kleinwort Benson has downgraded the stock from a buy to hold on the basis that the shares are now fully valued. The brokers commented that since July the shares have eppreciated by nearly 16 per cent and have outperformed the Dutch market by 9 per cent.

MADRID saw an end to its five-day losing streak, picking up 1.5 per cent in response to firmer government bond prices, short-covering, and the opening gains on Wall Street. The egreement between the minority ruling Socialist party and the CiU centre-right Catalan nationalist party over the 1995 budget also gave support to bond and equity markets.

The general index closed 4.36 higher at 298.82 in volume of Pta25.9bn. The market was down 0.8 over the week.

Blue chips led the market higher, with Telefónica up Pta60, or 3.6 per cent, et Pta1,750. Endesa added Pta160 to Pta5,530 and Repsol gained Pta75 to Pta3,815.

Bankinter added Pta190 or 1.7 per cent to Pta11,520 after the bank said it planned to pay e second 1994 gross dividend of Pta116 pesetas, up 9.5 per cent from 1993.

OSLO fell back on fears that the country might reject EU membership in a November 28 referendum.

The All-share index lost 2.46 to 596.62 in epite of bigher prices for North Sea oil and lower interest rates. Turnover was NKr529m.

Norsk Hydro shed NKr2 to NKr239.

STOCKHOLM improved helped by strong finencial stocks. The Affärsvärlden general index rose 12.0 to 1,428.3, off 1.5 per cent on the week.

Turnover was moderete at SKr2.7bn.

The banking and insurance index rose 2.5 per cent: S-E-Banken A shares gained SKr1.20 to SKr47, while Skandia put on SKr4 to SKr125.

Written and edited by John Pitt and Michael Morgan

ASIA PACIFIC

Region pessimistic on fears of further US rate rise

With the fear of a further tightening of US interest rates next week weighing on investors' worldwide, the Pacific Region took the view ahead of the weekend that there was little to be optimistic about.

Tokyo was closed yesterday for a public holiday.

The consensus among analysts seems to be that the US Federal Reserve is likely to move interest rates 50 basis points higher et its Tuesday meeting, with the consequent knock-on effects throughout the world.

However, there is also a view among analysts that the US does not need to take further ection because the threat of rising inflation in the country remains small.

Crédit Lyonnais Securities Asia, for instance, remarks that improvements in prodnctivity mean that the US economy can grow more quickly without generating inflation. "With productivity at world-beating levels, there is just no evidence that inflation is a potential problem in the US . . . Rates have already gone up 175 basis points this year which will slow the economy. When this starts to happen long bond yields will fall towards more sensible levels, ones which reflect the low infletion outlook for the US economy."

Crédit Lyonnais believes that in this situation the outlook for Asie would be good, also because high inflationary expectations from weak Bund sales and excessive monetary growth in Germany should weaken confidence in the European currencies.

"The upshot will be e rise in US equities and bonds and a movement of funds out of Europe and into the Asie markets. But to keep funds long term in the region, Asian governments need to eddress any threat to their export competitiveness," it concludes.

SINGAPORE saw some life return to the market as selective foreign buying boosted the Straits Times Industrials 15.96 higher at 2,302.05, little changed on the week.

Brokers said investor sentiment has firmed on the prospect of new foreign money coming into the market in the form of Asian equity mutual funds.

KUALA LUMPUR closed lower as funds cashed out after a strong run, although speculative demand was still evident.

The composite index lost 9.56 to 1,170.32, for a 1.3 per cent fall on the week. Volume was again heavy at 549m shares.

KLI Holdings was in the limelight, gaining M$1.36 or 30 per cent to M$5.90, driven by rumours of e M$1bn property development deal in Sabah state.

Acidchem jumped 80 cents to M$8.50 on speculation that the company was to be taken over by a prominent businessman, while continuing rumours of e change of ownership pushed Yeo Hiap Seng up another M$1.70 to M$15.80.

BANGKOK saw selling of blue chips which pushed the SET index off 25.37 et 1,506.06 on turnover of Bt8.9bn, a week's decline of 2.6 per cent.

Siam Cement lost Bt30 to Bt1,288, Telecom Asia lost Bt2 to Bt104 and Bangkok Bank tumbled Bt6 to Bt208.

HONG KONG finished easier after some late program selling triggered by weakness in overseas bourses. The Hang Seng Index fell 35.67 to 9,632.47, taking the week's decline to 3.4 per cent. Turnover wee HK$3.07bn against Thursday's HK$4.87bn.

HSBC Holdings fell 50 cents to HK$87.75 and Hang Seng Bank eased 25 to HK$54.50.

Against the trend, Cepa rose 60 cents to HK$18.60 after it signed e deal to build power plants in India. Its parent, Hopewell, gained 15 cents to HK$7.25.

SEOUL saw e continuation of the consolidation in primary blue chips which led the market's record-breaking rally in the early part of the week. The composite index closed 3.02 lower at 1,030.99, but was still 3.0 per cent higher over the week. Volume was active with 46.3m shares traded, up from Thursday's 43.44m.

TAIPEI finished slightly higher, recovering from Thursday's sharp correction, and brokers commented that the market would continue to consolidate below the 7,000 level. The weighted index finished up 40.40 at 6,930.28, for e week's loss of 0.7 per cent. Turnover was thin et T$49.4bn.

The plastics sector supported gains, with Union Petrochemical rising T$4 to T$68.50 and Taiwan Polypropylene up T$5 to T$83.50.

MANILA maintained its positive tone helped by strong gold prices. The composite index advanced 25.00 to 2,959.36 on volume of 3.7bn shares worth 1.90bn pesos, after 5.26bn shares worth 4.67bn pesos on Thursday. The week's rise was 0.6 per cent.

Philex Mining led second-line gains, rising nearly 7 per cent to 3.10 pesos.

BOMBAY trading was abandoned after a fire broke out in a building adjecent to the bourse.

Trading stopped after mid-session when the BSE 30-share index wes 44.75 higher et 4,496.53, e 2.6 per cent fall over the week.

SYDNEY was slightly weaker but the decline was moderated by e rise in gold issues. The All Ordinaries index dropped 0.5 to 2,027.7, down 1.5 per cent over the week.

The gold index supported sentiment, with the index rising 56.3 to e six-month high of 2,386.5. Among gold stocks, Placer Pacific edded 15 cents to a seven-year high of A$4.05, and Poseidon Gold rose 22 cents to a seven-month high of A$4.04. Newcrest Mining rose 17 cents to A$6.85.

The All Industrials index finished 2.0 lower at 2,872.0, while the All Resources edged 0.7 higher to 1,402.0. Volume was 185.9m shares.

BHP lost 14 cents to A$19.74 following lower than expected first quarter results.

WELLINGTON made ground although volume was light. The NZSE-40 capitel index added 14.10 to 2,080.53, a loss of 1.4 per cent across the week.

HK announces companies to replace Jardine group

Trading of index-related stocks is expected to dominate the Hong Kong exchange on Monday as investors react to the choice of seven companies to replace five Jardine group companies in the Hang Seng index, *Reuter reports from Hong Kong.*

However, analysts said there were few surprises in the index changes, which were announced on Friday.

Joining the index on November 30 are Amoy Properties, Guangdong Investment, Johnson Electric Holdings and Oriental Press Group Ltd.

On February 28, Shangri-La Asie, Sino Land and South China Morning Post (Holdings) will join the index.

Textile companies Lai Sun Garment International and Winsor Industrial Corp will be deleted from the index on November 30.

Analysts said that investors might be disappointed by the failure of banking group Guoco Group, investment company Henderson Investment and First Pacific to make it into the index. Their shares had recently risen on confidence they would be included.

Brokers said the new constituents were cepitalised et around $11bn, compared with around $23bn worth of stocks departing. However, the Hang Seng index as a proportion of the market would stay roughly the same without the Jardine group.

The revised Hang Seng Index will cover abont 70 per cent of the market in value terms. The total number of constituent stocks will remain at 33.

Jardine Strategic and Jardine Matheson will delist in December. Land, Mandarin and Dairy Farm will delist next March.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	THURSDAY SEPTEMBER 22 1994 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	WEDNESDAY SEPTEMBER 21 1994 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (68)	170.26	0.8	160.13	105.55	137.09	153.78	0.0	3.61	170.29	159.99	105.17	136.78	153.78	189.15	141.54	141.86
Austria (16)	187.05	-0.1	175.93	115.96	150.62	160.55	0.1	1.07	187.27	175.94	115.65	150.41	150.34	198.89	164.64	167.72
Belgium (37)	166.89	-0.3	156.97	103.46	134.38	131.18	-0.1	4.21	167.40	157.27	103.38	134.45	131.36	177.04	143.82	146.05
Canada (103)	138.64	0.2	130.40	85.95	111.64	134.86	0.2	2.51	138.33	129.96	85.43	111.10	134.59	145.31	120.54	122.10
Denmark (33)	251.80	-0.4	236.82	156.18	202.83	208.79	-0.2	1.42	252.95	237.65	156.21	203.18	209.12	276.78	223.94	226.09
Finland (24)	173.14	-1.1	162.85	107.34	139.41	178.71	-0.9	0.79	175.15	164.56	108.17	140.68	180.39	161.70	104.28	104.28
France (97)	156.89	-0.3	156.94	103.44	134.35	138.60	-0.1	3.16	157.40	157.28	103.38	134.45	138.67	185.37	159.34	165.81
Germany (58)	142.28	-0.5	133.82	88.21	114.56	114.56	-0.3	1.79	143.04	134.39	88.34	114.89	114.89	150.40	124.39	126.41
Hong Kong (56)	398.13	-1.7	374.47	246.82	320.59	395.02	-1.7	3.11	405.07	380.57	250.16	325.35	401.86	506.56	296.56	296.83
Ireland (14)	209.27	-0.6	196.83	129.74	168.51	189.31	-0.1	3.37	210.21	197.50	129.82	168.84	189.48	216.60	161.54	163.05
Italy (59)	82.02	-2.5	77.15	50.85	66.05	95.98	-1.8	1.62	84.09	79.01	51.93	67.54	97.69	97.78	57.88	73.76
Japan (469)	161.75	-0.4	152.14	100.28	130.25	100.28	-0.1	0.76	162.46	152.63	100.32	130.48	100.32	170.18	124.54	151.94
Malaysia (97)	586.82	-1.3	551.94	363.80	472.52	577.87	-1.3	1.45	594.78	558.79	367.31	477.71	585.33	621.63	392.03	392.03
Mexico (18)	2331.23	-0.5	2192.64	1445.23	1877.10	8667.35	-0.5	1.18	2342.11	2200.44	1446.42	1881.12	8710.36	2847.08	1815.11	1815.11
Netherland (27)	208.37	-0.7	195.99	129.18	167.79	165.13	-0.5	3.49	209.81	197.12	129.57	168.52	165.88	218.18	180.25	181.13
New Zealand (14)	71.81	-0.8	67.35	44.39	57.66	63.36	-0.5	3.77	72.05	67.70	44.50	57.87	63.71	77.59	59.22	59.33
Norway (23)	195.82	-0.8	184.16	121.40	157.67	180.40	-0.5	1.89	197.42	185.48	121.92	158.56	181.40	211.74	185.52	171.22
Singapore (44)	369.89	-0.2	347.43	229.00	297.44	251.36	-0.2	1.68	370.21	347.82	228.63	297.35	251.86	378.92	285.31	285.31
South Africa (58)	304.78	-1.5	286.66	188.94	245.41	295.18	-0.6	2.17	309.41	290.89	161.06	248.51	296.89	314.24	184.39	184.39
Spain (42)	137.60	-0.6	129.42	85.30	110.79	133.75	-0.2	4.31	138.42	130.05	85.48	111.17	134.04	155.79	128.88	136.20
Sweden (36)	222.92	-0.3	209.67	138.20	179.50	246.16	-0.3	1.82	224.08	210.53	138.39	179.98	246.83	231.35	175.83	183.63
Switzerland (47)	165.80	-0.5	155.84	102.78	133.50	132.24	0.4	1.84	168.02	155.97	102.53	133.34	131.68	176.56	136.88	137.70
United Kingdom (204)	194.16	-0.1	182.84	120.39	156.38	182.64	0.2	4.14	194.09	182.35	119.87	155.89	182.35	214.96	161.11	188.27
USA (519)	188.21	0.1	177.02	116.68	151.54	188.21	-0.1	2.89	188.32	176.93	116.30	151.26	188.32	196.04	178.95	188.54
EUROPE (717)	169.26	-0.4	159.18	104.93	136.29	148.72	-0.1	3.18	169.90	159.62	104.93	136.46	149.91	178.58	153.98	155.58
Nordic (116)	216.23	-0.8	203.37	134.05	174.11	204.65	-0.4	1.45	217.58	204.42	134.37	174.76	205.42	222.18	173.18	174.27
Pacific Basin (748)	171.59	-0.5	161.39	106.38	138.17	111.43	-0.2	1.08	172.49	162.06	106.53	138.54	111.65	176.86	134.79	158.47
Euro-Pacific (1465)	170.48	-0.5	160.35	105.89	137.27	126.84	-0.2	1.93	171.27	160.61	105.77	137.58	127.05	175.14	143.88	156.00
North America (619)	185.12	-0.1	174.12	114.77	149.06	184.50	-0.1	2.87	185.21	174.01	114.38	148.76	184.60	192.73	175.67	182.56
Europe Ex. UK (513)	152.08	-0.8	143.04	94.28	122.46	130.02	-0.3	2.49	153.05	143.78	94.62	122.92	130.40	158.12	134.97	136.14
Pacific Ex. Japan (279)	268.62	-1.0	250.96	165.41	214.85	237.57	-1.0	2.74	269.50	253.20	166.44	216.46	239.90	298.21	201.05	201.05
World Ex. US (1645)	172.39	-0.5	162.14	106.67	138.61	130.78	-0.2	1.94	173.18	162.72	106.96	139.18	130.98	176.65	145.59	158.02
World Ex. UK (1957)	174.90	-0.4	164.50	108.43	140.89	145.07	-0.2	2.07	175.53	154.92	108.40	140.98	145.31	178.59	155.86	163.18
World Ex. So. Af. (2102)	175.60	-0.3	165.35	108.99	141.55	147.45	-0.1	2.27	178.35	165.68	108.91	141.64	147.64	180.03	158.54	165.21
World Ex. Japan (1692)	186.61	-0.3	175.52	115.69	150.26	178.89	-0.2	2.91	187.13	175.81	115.57	150.30	177.13	195.20	174.11	174.18
The World Index (2161)	176.61	-0.3	166.11	109.49	142.21	148.53	-0.1	2.27	177.18	166.47	109.42	142.31	148.73	180.60	158.85	165.22

Latest prices unavailable for this edition.

LONDON EQUITIES

LIFFE EQUITY OPTIONS

Option		Calls Oct	Jan	Apr	Puts Oct	Jan	Apr
Allied Domecq	540	42	-	-	3½	-	-
(*574)	589	11½	-	-	23	-	-
Argyll	260	15½	22½	29½	6	14	18½
(*267)	280	5½	13	19½	17½	25½	30
ASDA	60	4½	7½	8½	2½	5	8
(*61)	70	1½	3	4½	10	11	12
Brit Airways	360	22	32	42½	6½	16	29½
(*373)	390	6½	17½	28	23	32	36½
SmKl Bcm A	420	21½	34	43½	9	19	28
(*431)	460	1	4	8½	89	89½	91
Boots	500	34½	44	55	4	14	21
(*526)	550	6½	18½	31	29	40½	46½
BP	390	18½	29½	37	7½	15½	21
(*398)	420	5	15½	23½	28	32½	37½
British Steel	160	18	14½	20	4½	8½	11½
(*164)	180	2½	6½	11½	17½	20½	22½
Bass	500	48	55	60½	4	15½	19½
(*539)	550	13	22½	32	21½	39½	45½
Cable & Wire	390	27½	40½	52	8	18	25
(*406)	420	11½	26½	37	23½	34	39½
Courtaulds	460	18	32	41	11½	24	28½
(*462)	500	4½	14½	24	41	50	53½
Comm Union	483	18	35	41½	11	19	31
(*497)	543	4	13½	19½	48½	51½	64
ICI	800	38½	62½	76½	12	27	41
(*823)	850	13½	35½	50½	37	53	68
Kingfisher	460	32½	47½	59½	7½	16½	23½
(*481)	500	12	25	38½	26	38	43
Land Secur	600	27½	36½	51	6½	16½	21½
(*615)	650	8½	14½	27	38	46½	49½
Marks & S	390	24½	33	42	4	10½	14½
(*408)	420	8	17½	26	17½	25	28
NatWest	460	28½	41½	51½	8	18½	28
(*477)	500	8	21	31½	29	36	50
Sainsbury	390	18½	30	36½	9	21½	24½
(*397)	420	5½	15½	25	28½	38	41
Shell Trans.	700	14½	31½	41	18½	28	38½
(*706)	750	2½	13	20½	60½	62½	72½
Storehouse	200	11	17	21½	4½	8	13
(*205)	220	2½	7½	12½	18	21½	25
Trafalgar	80	18	12	14½	2	5	5½
(*87)	90	3	6½	8	6	9½	11
Unilever	1100	28½	49	69	22	42	58
(*1100)	1150	8½	26	46	58	71½	85½
Zeneca	800	27½	61½	73½	11	24	39
(*822)	850	13½	34½	47½	38½	50	66
Option		Nov	Feb	May	Nov	Feb	May
Grand Met	390	25	34½	41½	10½	21½	24
(*400)	420	3	8	14½	63	69½	78
Ladbroke	140	24	28	31	2½	4½	8
(*158)	160	10½	18	20½	9	13	17
Utd Biscuits	300	14½	23	26½	14	17½	28
(*303)	330	4	11	14½	36½	38	46
Option		Sep	Dec	Mar	Sep	Dec	Mar
Fisons	110	10½	14½	17½	1	5½	7
(*116)	120	2½	8½	12½	4	10½	12½
Option		Nov	Feb	May	Nov	Feb	May
Brit Aero	460	28½	45½	62½	24	32½	43
(*465)	500	12½	28	35½	50	57½	66
BAT Inds	390	37	49½	54½	7	12	21
(*418)	420	18½	31	36½	19	24½	35½
BTR	300	23½	32½	37	5½	11½	17
(*313)	330	8½	18	22½	22½	27	33½
Brit Telecom	360	23	27½	34½	7	15	18
(*371)	390	8	13	28	23½	32½	38
Cadbury Sch	420	49½	57½	63	3	7	13½
(*459)	460	19½	32	37½	15½	21½	30
Eastern Elec	750	46½	67½	81	26½	40	49½
(*763)	800	23½	44	57	54½	69	76½
Guinness	420	37½	49½	64	5½	11	17½
(*451)	460	14	25	30½	23	29	37
GEC	280	17	21	27½	7	11½	14½
(*287)	300	7	12	16	18	22½	25

Option		Calls Nov	Feb	May	Puts Nov	Feb	May
Hanson	220	16½	20	22½	4½	7½	11
(*230)	240	5½	9½	13	14½	16	21½
Lasmo	134	23	-	-	3	-	-
(*152)	154	10	-	-	11	-	-
Lucas Inds	180	16½	23½	27	5½	6	13
(*195)	200	8	14	17½	16½	20	23½
P & O	600	54	71	79½	9	17½	30½
(*637)	650	23	41	52	29	39	55
Pilkington	180	13	15	20½	7	10½	14½
(*183)	200	4	7	12	21	23½	25½
Prudential	300	14	20½	25½	13	18½	23½
(*304)	330	8½	8	13	34	38	43
RTZ	850	54½	78	89	16	28	43
(*886)	900	25½	48½	62½	39	51½	67
Redland	500	25	38½	48½	18	25½	39½
(*511)	550	7	18½	27½	54	57½	72
Royal Insce	260	23½	32½	37	8½	13½	18
(*272)	280	12½	22½	26½	17½	23	28½
Tesco	220	17½	23½	29	6½	10½	14
(*232)	240	7	13½	18½	14½	20½	24½
Vodafone	183	21	25½	-	4	7½	-
(*198)	200	11½	18½	21½	11	15½	18½
Williams	325	17½	-	-	6½	-	-
(*331)	354	5½	-	-	27	-	-
Option		Oct	Jan	Apr	Oct	Jan	Apr
BAA	475	19	29	38½	8	17	20½
(*482)	500	8½	16½	28	23	30½	34
Thames Wtr	460	44	58	58	3	13½	15½
(*497)	500	19	26½	34½	15	29½	33
Option		Sep	Dec	Mar	Sep	Dec	Mar
Abbey Natl	390	7	23½	32½	8	16½	28
(*390)	420	1	9½	18½	32	36	46½
Amstrad	25	5	8	8½	1	1½	2½
(*29)	30	1	3	4	2	4	5
Barclays	550	10½	35	48	4	21	32
(*557)	600	1	13½	25½	45½	51	61½
Blue Circle	260	18½	27½	35	1	7½	13
(*275)	280	3½	16	24½	7½	16½	22½
British Gas	300	5½	14	22	4½	18	20
(*301)	330	1	8	11½	30½	36½	41
Dixons	180	14	23½	26½	1	7½	12
(*191)	200	1½	12½	16	11	17½	22½
Hillsdown	160	28	23	27	1	3	5½
(*178)	180	2	9½	15½	4	11	13
Lonrho	130	5½	13½	17	2	7	11
(*134)	140	1½	7	12	8	13	18
Natl Power	420	38½	46	57	1	8½	15
(*456)	460	8	23½	34½	9	25½	32
Scot Power	360	30	43	58	1	8½	13½
(*367)	390	5	25½	33½	8	22	26½
Sears	100	5½	11½	13½	1	4	5
(*107)	110	1½	6	8	8	9	10½
Forte	200	19	24½	29	1	5½	9
(*217)	220	2½	13	17½	8	15	18½
Tarmac	140	18	15½	21½	1½	9	11½
(*147)	160	1½	8½	12½	15	22	23½
Thorn EMI	950	91	17½	98	1½	18½	29
(*985)	1000	9	48	61	13½	36	52
TSB	200	16½	23	27½	1	8	11
(*214)	220	2	11½	16½	8	15	21½
Tomkins	200	17	24½	28½	1	5	8½
(*215)	220	3	12½	18	8	14	18
Wellcome	650	30	65	58	2	22	34
(*683)	700	8	34	68	22	45	58
Option		Oct	Jan	Apr	Oct	Jan	Apr
Glaxo	550	38½	57	68	11	23	34
(*573)	600	11½	31½	43½	37	49½	61
HSBC 75p shs	700	30	59	77	28½	45	67
(*702)	750	11½	37½	55½	58½	74½	97
Reuters	462	21	-	-	13	-	-
(*465)	475	13½	-	-	19½	-	-
Option		Nov	Feb	May	Nov	Feb	May
Rolls-Royce	160	23	27	30	2½	6	6
(*177)	190	10½	18½	19	18	14½	18

* Underlying security price. Premiums shown are based on closing offer prices. September 23, Total contracts: 41,787 Calls: 16,334 Puts: 25,453

FT GOLD MINES INDEX

	Sep 22	% chg on day	Sep 21	Sep 20	Year ago	Gross div yield %	52 week High	52 week Low
Gold Mines Index (36)	2276.03	+0.7	2260.51	2247.59	1894.67	1.94	2367.49	1673.83
■ Regional Indices								
Africa (16)	3437.38	-1.5	3487.98	3440.14	2237.14	4.02	3487.98	2209.16
Australasia (9)	2835.08	+2.0	2778.97	2759.41	1895.37	1.63	3013.89	1829.56
North America (11)	1853.21	+1.7	1822.58	1821.92	1509.82	0.71	2039.65	1458.45

Figures in brackets show number of companies. Basis US Dollars. Base Values: 1000.00 31/12/92. Predecessor Gold Mines Index: Sep 22: 284.3 ; day's change: -5.4 points; Year ago: 178.9 † Partial. Latest prices unavailable for this edition.

RISES AND FALLS

	On Friday Rises	Falls	Same	On the week Rises	Falls	Same
British Funds	61	2	7	190	112	48
Other Fixed Interest	1	8	14	6	7	62
Mineral Extraction	67	48	81	301	299	388
General Manufacturers	100	180	385	430	908	1,888
Consumer Goods	37	37	113	150	259	526
Services	63	104	330	277	686	1,523
Utilities	13	23	6	70	102	53
Financials	68	100	189	316	563	949
Investment Trusts	59	92	315	178	902	1,250
Others	32	47	23	134	285	89
Totals	501	613	1,475	2,054	4,123	6,784

Data based on those companies listed on the London Share Service.

TRADITIONAL OPTIONS

First Dealings	September 12	Expiry	December 6
Last Dealings	September 23	Settlement	December 22

Calls: Aran Energy, Bibby (J.), BTR Wrts. 95/98, Bulgin A, Next, Utd. Energy Put: Next

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1994 High	1994 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
100	F.P.	12.1	102	95	Beacon Inv Tst	95		-	-	-	-
-	F.P.	1.52	48	39	Do. Warrants	40		-	-	-	-
§125	F.P.	18.8	130	123	Compel	123	-1	WN4.0	2.1	4.1	11.9
-	F.P.	1.30	1½	1	Cont'l Foods Wrts	1¼		-	-	-	-
-	F.P.	24.4	62	61	Emerging Mkts C	61		-	-	-	-
120	F.P.	21.2	120	116	Independent Parts	116	+1	LN4.0	2.1	4.2	14.4
80	F.P.	24.1	85	78	Ryland	85		LN3.5	1.7	5.1	14.0
-	F.P.	3.39	44	27	Suter Wrts 99/04	29	+1	-	-	-	-
-	F.P.	116.0	379	374	Templeton E New	375	+1	-	-	-	-
-	F.P.	12.6	212	192	Do. Wrts. 2004	204		-	-	-	-

RIGHTS OFFERS

Issue price p	Amount paid up	Latest Renun. date	1994 High	1994 Low	Stock	Closing price p	+or-
475	Nil	4/18	59pm	15pm	Commercial Union	24pm	+3
360	Nil	21/10	46pm	13pm	EMAP	13pm	-2
180	Nil	17/10	9pm	6pm	Jermyn Inv.	7pm	
252	Nil	11/11	34pm	12½pm	Weir	12½pm	-½

FINANCIAL TIMES EQUITY INDICES

	Sep 23	Sep 22	Sep 21	Sep 20	Sep 19	Yr ago	*High	*Low
Ordinary Share	2347.2	2340.2	2337.8	2358.3	2369.5	2309.1	2713.6	2240.6
Ord. div. yield	4.37	4.39	4.40	4.36	4.30	4.03	4.46	3.43
Earn. yld. % full	6.30	6.34	6.30	6.25	6.13	4.75	6.34	3.82
P/E ratio net	17.51	17.20	16.94	17.67	17.41	26.86	33.43	16.94
P/E ratio nil	17.78	17.67	17.51	17.09	18.00	24.76	30.80	17.09

*For 1994. Ordinary Share index since compilation: high 2713.6 2/02/94; low 49.4 26/6/40
FT Ordinary Share index base date 1/7/35.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2336.7	2325.8	2333.0	2340.8	2346.0	2352.7	2351.2	2347.9	2347.9	2353.2	2322.5

	Sep 23	Sep 22	Sep 21	Sep 20	Sep 16	Yr ago
SEAQ bargains	23,514	23,263	24,511	24,355	24,512	26,242
Equity turnover (£m)†	-	1337.8	1355.8	1333.8	850.9	1459.9
Equity bargains†	-	26,204	27,107	27,071	26,641	30,187
Shares traded (mil)†	-	489.0	475.9	495.4	827.8	481.1

†Excluding intra-market business and overseas turnover.

LONDON SHARE SERVICE

BANKS

	Notes	Price	+ or −	1994 High	1994 Low	Mkt Cap£m	Yld Gr's	P/E
ABN Amro Fl		£21¾	−⅛	£25⅛	£20¾	6,381	5.2	φ
ANZ A$		183	−3	270¼	179¼	2,496	5.1	27.9
Abbey National	†N□	390xd	+2	523	391	5,116	3.8	13.1
Allied Irish I£	‡†N□	241xd	+1	314	234	1,589	5.2	9.3
Anglo Irish I£		67	—	78	66	108.2	7.5	10.4
Asahi Y		[illegible]	+1½	218¼	628	16,098	6.7	φ
Banco Bil Viz Pta		£18⅝	−⅛	£16⅞	£14½	3,548	5.4	6.9
Banco Sant Pta		£28¼	—	*£30½	£23¾	3,946	0.6	9.1
Bk Ireland I£	N□	278	—	*318	248	1,313	4.7	3.8
Bank Scotland	‡N□	285½	+3½	247	172½	2,308	3.1	10.6
9¼pc Pf		111½	—	141½	111	111.5	10.4	−
9¼pc Pf		118¼	—	148½	118	110.8	10.4	−
Barclays	‡†N□	588xd	+5	640	487	9,100	3.7	19.7
Dai Ichi Kan Y		£11⅛	+⅛	£12¾	£10⅞	35,047	3.8	−
Deutsche DM		£280⅛	+5½	£344¼	£270⅝	13,821	2.3	−
Espirito Santo		[illegible]	−⅛	*£13⅛	[illegible]	205.6	3.9	4.8
First Nat Fin	N□	74	—	*90	60	124.8	2.5	−
6.3pc Cv Pf		78	—	*98	78	6.11	16.4	−
7pc Cv Pf		134	+½	171	123	63.6	3.0	−
Fuji Bank Y		1372¼	+7¼	1549¼	1152½	39,767	0.4	φ
HSBC HK	†N□	723xd	+7	1133	680	12,862	4.0	10.5
HSBC (75p Shs)	†N□	783xd	+7	1113	690	5,975	4.4	10.2
Lloyds	†N□	540xd	+10	660	510	6,908	5.3	10.6
Mitsubishi Y		£15¾	+⅛	£18⅞	£15¾	45,872	0.3	φ
Mits Tst & Bk Y		907½	−2¼	1162¼	687½	11,584	8.8	15.0
Mitsui Tst & Bk Y		692	−¼	879	514	8,292	0.6	22.8
Nat Aust A$	†	481	−3	620¼	479	6,438	5.7	10.3
NatWest	†N□	477xd	+7	622	421	7,942	5.1	8.9
Ottomane FFr		£21¼	—	£33	£21¼	108.8	6.7	φ
Rgl Bk Scotland	‡†N□	413	+9	528	377½	3,308	3.8	10.7
Sakura Y		[illegible]	+¼	£9⅜	[illegible]	28,288	0.8	51.5
Sanwa Y		£12⅜	+⅛	£15¾	£11⅝	38,480	0.5	−
Standard Chartd.	†N□	259xd	−8	*359¼	223	2,460	3.1	6.9
7 3/8pc Prf		83xd	+¼	108½	28¼	83.0	11.1	−
Sumitomo Y		£12⅛	+⅛	£16¼	£11½	27,770	0.5	25.1
Sumitomo Tst Y		907½	+2	1148½	825	11,289	0.6	φ
TSB	†N□	214xd	+1	291	197	3,278	4.7	10.8
Tokai Y		£7⅜	−⅛	£9	[illegible]	15,608	3.8	47.2
Toyo Tst & Bk Y		700¼	+1½	852	509¼	5,502	6.7	60.8
Westpac A$		218	—	288	194	3,813	2.5	φ
Yasuda Tst Bk Y	‡	631½	+1¼	858	442	6,084	5.9	46.0

BREWERIES

	Notes	Price	+ or −	1994 High	1994 Low	Mkt Cap£m	Yld Gr's	P/E
Ascot Hldgs	□	3¼	—	10¼	3¼	12.1	−	−
Bass	†N□	540	+1	619	465	4,709	4.8	14.1
Boddington	†N□	281xd	—	298	250	316.6	4.0	17.9
Burtonwood		193	—	198	166	35.6	3.3	16.8
Eldridge Pope A		158	—	181	142	35.6	2.9	21.9
Fosters A$		53	—	66	46¼	1,700	5.3	φ
Fuller STA		389	—	463	399	81.4	2.4	16.5
Gibbs Mew		424xd	—	*424	348½	45.4	2.6	φ
Greenalls	‡†N□	451	—	611	399	990.6	3.7	10.6
Greene King	N□	514	—	584	452	217.4	8.1	14.3
Grosvenor Inns		143xd	—	*165	124	19.0	4.2	φ
Hall (J)	†N	3879	−75	3773	5118	110.2	1.7	30.8

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

CHEMICALS

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

FOOD MANUFACTURERS

GAS DISTRIBUTION

HEALTH CARE

HEALTH CARE - Cont.

HOUSEHOLD GOODS

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

OTHER INVESTMENT TRUSTS

INVESTMENT COMPANIES

LEISURE & HOTELS

LEISURE & HOTELS - Cont.

LIFE ASSURANCE

MEDIA

MERCHANT BANKS

OIL EXPLORATION & PRODUCTION

OIL EXPLORATION & PRODUCTION - Cont.

OIL, INTEGRATED

OTHER FINANCIAL

OTHER SERVICES & BUSINESSES

PHARMACEUTICALS

PRINTING, PAPER & PACKAGING

PROPERTY

RETAILERS, FOOD

RETAILERS, GENERAL

RETAILERS, GENERAL - Cont.

SPIRITS, WINES & CIDERS

SUPPORT SERVICES

TELECOMMUNICATIONS

TEXTILES & APPAREL

TOBACCO

TRANSPORT

TRANSPORT - Cont.

WATER

AMERICANS

CANADIANS

SOUTH AFRICANS

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by Extel Financial, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- ☐ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- • Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ◆ Figures or report awaited
- ♥ Rule 2.1(a)(v) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ✤ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Rule 4.2(a) UK & Irish incorporated non-listed companies.
- ‡ Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ◆ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v Not subject to ACT.
x Dividend yield includes a special payment
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1993.
K Yield based on prospectus or other official estimates for 1994
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1993-94.
N Figures based on IIMR 'Headline Earnings'
P Figures based on prospectus or other official estimates for 1994.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xd ex capital distribution.

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FINANCIAL TIMES
Weekend September 24/September 25 1994

Consumer group finds low-temperature damage

Unilever detergent comes under renewed criticism

By Diane Summers, Marketing Correspondent

Unilever, the Anglo-Dutch group, suffered e fresh attack on its new-generation washing powder yesterday.

The influential Consumers' Association in Britain said the first version of the detergent produced "substantial damage to some clothes" in laboratory tests, even when "normal recommended low-temperature programmes" were used.

Unilever admitted on Thursday that the detergent – sold in Britain as Persil Power and in continental Europe as Omo Power – was "defective", but said problems arose only if it was used at high temperature.

The original version was launched this spring but replaced in June after Procter & Gamble, arch-rivals in the £6bn-a-year European detergent market, said tests by it showed the detergent could "rot" clotbes. The latest version contains less of the manganese catalyst "accelerator" which is the powder's patented ingredient.

Yesterday's attack came as Unilever was attempting in the UK to play down an admission on Thursday by Mr Morris Tabaksblat, its Dutch co-chairman, that the company had failed to apply "appropriate safeguards" in tests before the launch.

Unilever said yesterday that laboratory tests gave only a distorted picture of how the detergent performed. "The defect the chairman referred to was only evident under extreme and destructive laboratory conditions; it was quite irrelevant in real conditions in consumers' homes. This product underwent field tests among 60,000 consumers throughout Europe over a period of two years."

However, Mr Derek Prentice, Consumers' Association assistant director, said it was "nonsense" to claim that it was only extreme conditions which caused damage. "Our independent tests on behalf of the consumer have shown that there can be substantial damage to some clothes, under far from extreme laboratory conditions designed to imitate normal washing, as far as possible, without wearing."

The association is conducting further tests, which involve a panel of consumers wearing clothes and then taking them for laboratory washing. These tests, unlikely to be complete before December, will be on the old and new formulations of the product.

"Thousands of consumers are still using old and new formulations of the detergent," Mr Prentice said. "They deserve a little more plain speaking from Unilever."

Unilever said it believed very little of the original detergent was still in use. It was "baffled" about why CA had intervened when its own tests were incomplete. "We reiterate that any laboratory tests do not reflect real life," it said.

Mr Tabaksblat, who made his comments in China, provided the first explanation from Unilever of the problems with the powder. He said on Thursday: "I think we were very enthusiastic about an exciting new prodnct . . . and did not look closely enough at the negatives. Somewhere between research and marketing, something went wrong . . . under the normal pressure to be first to the market."

Government plan to lift rebate for private pensions

By Norma Cohen, Investments Correspondent

The government intends to increase the rebate it will pay after 1997 to people who take out private pensions, to compensate for the high commission and charges levied hy insurance companies.

While the move will benefit personal pension holders, it is bound to he controversial because it protects insurance companies at the expense of the taxpayer. The rebate returns to personal pension holders a portion of the national insurance contribution they currently pay.

But because the government is eager to encourage contracting-out through personal pensions, it is determined to press ahead with additional payments to cover providers' costs.

The government Actuary's Department is working out how mnch additional rebate will be paid.

"The problem is that unless a rebate incorporates the costs of the provider, it will never be 'best advice' to urge someone to contract ont of the state earnings-related pension scheme througb a personal pension," said one government official familiar with the discussions.

The social security department said yesterday it had decided not to use its powers under personal pensions legislation to cap insurance company charges.

Instead, it intends to rely on the regime due to be introduced in January, which will disclose to customers how much they are paying in charges and commissions wben they take out a personal pension.

Actuaries at William M. Mercer and Co estimate that people who make no contribntion to their personal pension otber than the national insurance rebate pay between 4 per cent and 13 per cent of it to the insurance company in costs. However, some life insurers also impose a flat-rate monthly charge of £2 to £4 – revised upwards annually, usually according to inflation.

The roughly 40 per cent of personal pension holders who make *additional contribntions* to their fund have such monthly charges levied automatically. In addition, they pay annual fund management fees.

A personal pension holder earning a rebate of £100 per year could lose as much as £61 of it in charges.

Brussels may act to curb bank charges for money transfers

By Emma Tucker in Frankfurt an der Oder

European Union banks may face increased pressure to limit double charging and hidden costs on internal cross-border payments and speed up the rate at whicb they are carried out.

Such pressure, from the European Commission, might take the form of an EU directive. It would be aimed at easing the costs on consumers and small businesses that rely on banks to make transfer payments within the EU, and would remove an obstacle to the smooth functioning of the single market.

Mr Raniero Vanni D'Archirasi, commissioner responsible for the single market, told ministers at a meeting in eastern Germany that the pressure on banks to stop double charging – imposing fees at the sending and receiving end of a transfer – had to be stepped up.

However, be sought to allay bank fears by emphasising that any legislation would not be "heavy or intrusive" but the minimum necessary to improve the current situation.

The need for action follows a survey, ordered by the Commission, which found that many banks were not complying with EU targets, set at the end of last year, on double charging, transparency and the time taken to complete a transfer.

The targets decreed that cross-border transfers should not attract double charging and that banks had to provide clients with complete written information on the costs involved in payments. An initial report last year said charges were duplicated in 43 per cent of transactions. It found found that "on average a 100 ecu cross-border transaction cost 20 ecus".

Banks were also required to complete the cross-border transaction on the first working day after receiving the request.

Mr Vanni D'Archirasi's inclination to take legislative action is likely to lead to a row in the Commission. Mrs Christiane Scrivener, commissioner responsible for consumer affairs, believes a voluntary code of conduct for banks would be more appropriate.

The banking lobby has also mounted an effective campaign against legislation, arguing that regulation might result in banks withdrawing their services altogether. They argue that tough requirements on speed might cause banks to refuse to execute payments to EU countries with less efficient payment systems.

The European Community Banking Federation wrote to Mr Vanni D'Archirasi in the summer urging pragmatic joint action between banks and the Commission and objecting to a draft plan on cross-border payments. On double charging, the federation argued that the Commission should recognise the merits of offering customers a choice of charging arrangements.

However, not all banks oppose legislation. Some believe that the present arrangements discriminate against banks that stick to the guidelines. They would like legislation to maks standards conform.

THE LEX COLUMN

Growth accelerates

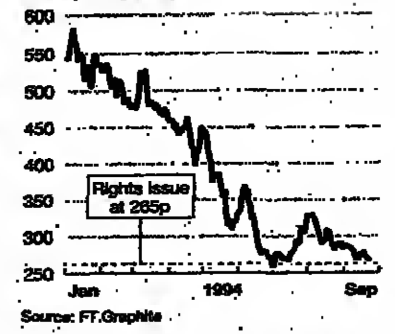
At first glance yesterday'e second quarter UK growth figures suggest consumers have been literally tightening their belts since April's tax rises. Spending on food fell a striking 2.6 per cent during the quarter. The usual worries over seasonal adjustment, however, mean such data must be taken with a pinch of salt. The data may also again understate the savings rate, but the broad message is clear. Thanks not least to a robust export performance, the economy is growing at a vigorous clip and, despite a fall in real disposable income, individuals seem willing to reduce their net saving to finance consumption.

The question is whether this increased propensity to borrow reflects a lasting improvement in confidence. Perhaps tax increases have taken cash out of consumers' hands before they have had time to adjust their spending habits. If so, private consumption may soon decelerate markedly, especially now that hase rates have risen. Despite yesterday's strong figures the anthorities have grounds to wait a while before considering another increase.

Clearly, though, the overall rate of growth will remain decisive. Even if consumer demand is not overheating, export-led growth still means the output gap is closing. Capacity use is tightening and manufacturers have a greater inclination to pass on cost increases. The authorities would almost certainly prefer growth closer to 3 per cent. Easing it back to that level without trampling on consumer confidence in the process will be s delicate task.

FT-SE Index: 3028.2 (+7.0)

Eurotunnel Units



Source: FT.Graphite

Building societies

Yesterday's UK Treasury document on building societies smacks of regulatory capture. Though the aim is to solicit opinion about future regulation, the tone suggests support for further liberalisation with only token gestures on accountability. The paper is quick to point, for example, to the need to bar "obstructive" member-nominated directors. Doubtless society boards would like freedom without more responsibility, but one must also ask why the debate about deregulation has arisen in the first place.

The market in which societies operate is no longer just concerned with housing finance. What was once their main activity has been subsumed into a broader retail financial services industry in which the societies compete with banks. In the interest of fair competition it would make sense for all players to come under the same regulatory framework. That might involva lifting restrictions on building societies, so that they can make syndicated loans to housing associations. But it then becomes hard to justify a corporate structure whicb exempts them from paying dividends to their owners and makes them almost immune to outside takeover.

One step towards improved accountability would be to require society boards to be elected hy a general meeting with members' votes weighted by size of deposit and length of association. Another would be to insist that hostile takeovers are communicated to members immediately, not simply "at the next general meeting" as the government is proposing. Alliance & *Leicester already owns a bank. It* would be unsatisfactory if Lloyds Bank proved with its bid for Cheltenham & Gloucester that banks are in effect barred from owning a society.

Eurotunnel

The muted reaction of Eurotunnel's share price to this week's news that a full shuttle service for drivers and cars will be phased in from November is understandable. The tunnel has been dogged by colossal risks ever since the project was conceived. Now the worry is focused on the risk that the project will not be able to generate the returns necessary to cover its operating costs and to service a funding requirement calculated to be £10.1bn at its peak. As the maximum commitment Eurotunnel has teased out of its bankers is £10.5bn, there is only limited room for manoeuvre.

On the basis of assumptions made in April, when the project was rescued with a rights issue, Eurotunnel hopes to make s small pre-tax profit in 2002 and a declare a dividend for the following year. But some of the assumptions on revenues and interest rates made then already look questionable. For example the dalay in opening the shuttle service has meant that Eurotunnel missed the peak summer season; details of the resulting shortfall will be disclosed at the interim stage next month. Eurotunnel may soon *breach* its banking covenants, possibly requiring shareholders to stump up fresh equity for the fourth time since the project was launched.

Completion of the tunnel is undonbtedly a historic achievement which may one day prove lucrative to its owners. But the debt burden is so great that this generation of shareholders is unlikely to enjoy a bonanza.

New issues

This has been a bad week for new issues. On Thursday, the share price of MDIS, a software group floated in March, halved after it reported profits below expectations. The day before Aerostructures Humble, an engineering company floated in May, saw its shares fall 40 per cent after a profits warning. Both companies were optimistic about prospects in their prospectuses. What should investors conclude from such fiascos? Certainly not that new issues are to be avoided. While new issues are not the easy route to a quick profit that many used to think, there is no need to swing to the *opposite* extreme. On average, companies floated this year have slightly outperformed the market.

Investors should also resist the temptation to call for more regulation. The regulations are already tough enough. Under the Financial Services Act, companies and their advisers are liable for damages if they are negligent in preparing a prospectus. Of course, it is hard to prove negligence, meaning investors have little practical recourse. But tighter regulation would tie companies and their advisers up in more red tape without giving investors any complete guarantee. Nothing will change the fact that equities are a risky investment. The best sanction is to keep a close eye on the banks that sponsor issues that flop and avoid their deals if a poor track record develops. For the record, MDIS's bank is Barings, while Aerostructures' is N M Rothschild.

Ukraine and IMF reach initial economic agreement

Continued from Page 1

Ukraine in the cabinet of ministers and the communist-dominated parliament would support the deal, which, he said, had created "an unprecedented political consensus on the need for reforms in Ukraine". Mr Yushchenko said that Mr Vitalii Masol, the Ukrainian prime minister, was likely to sign the agreement with the IMF.

The agreement with the IMF, and the brightened prospect for far-reaching reforms in Ukraine, suggest that the country's provincial and often instinctively conservative political élites have realised that without an improvement in Ukraine's collapsing economy the natioo is unlikely to survive as an independent state.

Professor Anders Aslund, the Swedish economist who has been advising the Ukrainian government, said that "there is now the best chance yet for a commitment to reform by the Ukrainian government. There is now the clear will to move forward."

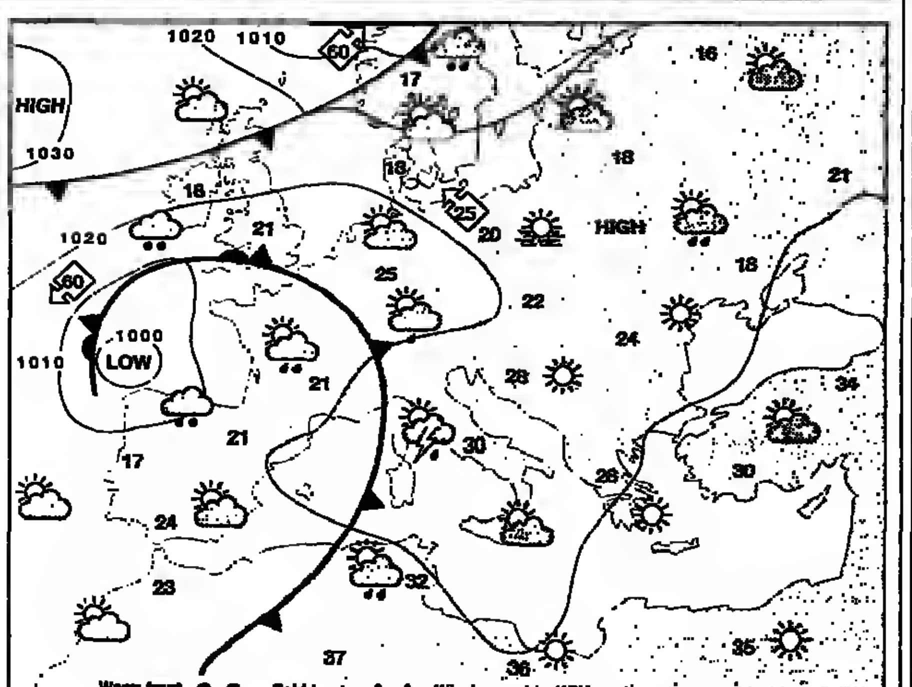
FT WEATHER GUIDE

Europe today

A vigorous low pressure system will *circulate rain and cloud around the Gulf* of Biscay. All western France will have rain, as will southern Britain. There will be a band of rain and thunder storms over the Alps, southern France and the western Mediterranean. Much of continental Europe will be influenced by high pressure over Germany and Poland. It will remain dry and mainly sunny with temperatures from 18C in *northern* Europe to 30C in *southern Italy and Greece. An active low* pressure system over *northern* Norway will cause rather unsettled conditions over northern and western Scandinavia.

Five-day forecast

The low pressure over the Gulf of Biscay will move across the Low Countries towards southern Scandinavia. Meanwhile, an area of high pressure will build west of Ireland. This will cause increasingly unsettled and cooler conditions in western Europe. A strong north-westerly flow will develop over the North Sea and Scandinavia. Sweden and Norway will have plenty of rain next week and it will be windy at times.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	sun	41
Accra	cloudy	32
Algiers	shower	27
Amsterdam	fair	24
Athens	fair	29
Atlanta	thund	24
B. Aires	thund	18
B.ham	shower	21
Bangkok	fair	33
Barcelona	shower	22
Beijing	sun	26
Belfast	fair	18
Belgrade	fair	26
Berlin	fair	23
Bermuda	fair	29
Bogota	fair	19
Bombay	fair	31
Brussels	fair	25
Budapest	fair	24
C.hagen	fair	18
Cairo	sun	33
Cape Town	cloudy	18
Caracas	shower	31
Cardiff	rain	19
Casablanca	shower	23
Chicago	rain	17
Cologne	fair	26
Dakar	shower	28
Dallas	sun	22
Delhi	sun	34
Dubai	sun	40
Dublin	shower	18
Dubrovnik	fair	28
Edinburgh	fair	18
Faro	fair	22
Frankfurt	fair	26
Geneva	shower	23
Gibraltar	fair	23
Glasgow	fair	17
Hamburg	fair	22
Helsinki	fair	19
Hong Kong	rain	29
Honolulu	shower	31
Istanbul	fair	26
Jakarta	fair	32
Jersey	rain	17
Karachi	fair	32
Kuwait	sun	37
L. Angeles	sun	27
Las Palmas	fair	26
Lima	fair	23
Lisbon	fair	21
London	fair	22
Lux.bourg	cloudy	25
Lyon	rain	24
Madeira	shower	25
Madrid	fair	18
Majorca	shower	25
Malta	fair	30
Manchester	shower	21
Manila	fair	32
Melbourne	shower	17
Mexico City	fair	21
Miami	fair	32
Milan	shower	23
Montreal	shower	17
Moscow	fair	19
Munich	fair	25
Nairobi	fair	27
Naples	fair	30
Nassau	thund	32
New York	shower	22
Nice	shower	24
Nicosia	sun	35
Oslo	fair	18
Paris	shower	23
Perth	fair	22
Prague	fair	25
Rangoon	fair	31
Reykjavik	shower	7
Rio	fair	26
Rome	fair	29
S. Frsco	fair	23
Seoul	shower	23
Singapore	shower	31
Stockholm	fair	20
Strasbourg	shower	26
Sydney	fair	19
Tangier	shower	22
Tel Aviv	fair	33
Tokyo	rain	27
Toronto	shower	18
Vancouver	fair	19
Venice	sun	25
Vienna	fair	23
Warsaw	fair	17
Washington	fair	25
Wellington	cloudy	13
Winnipeg	fair	26
Zurich	shower	23

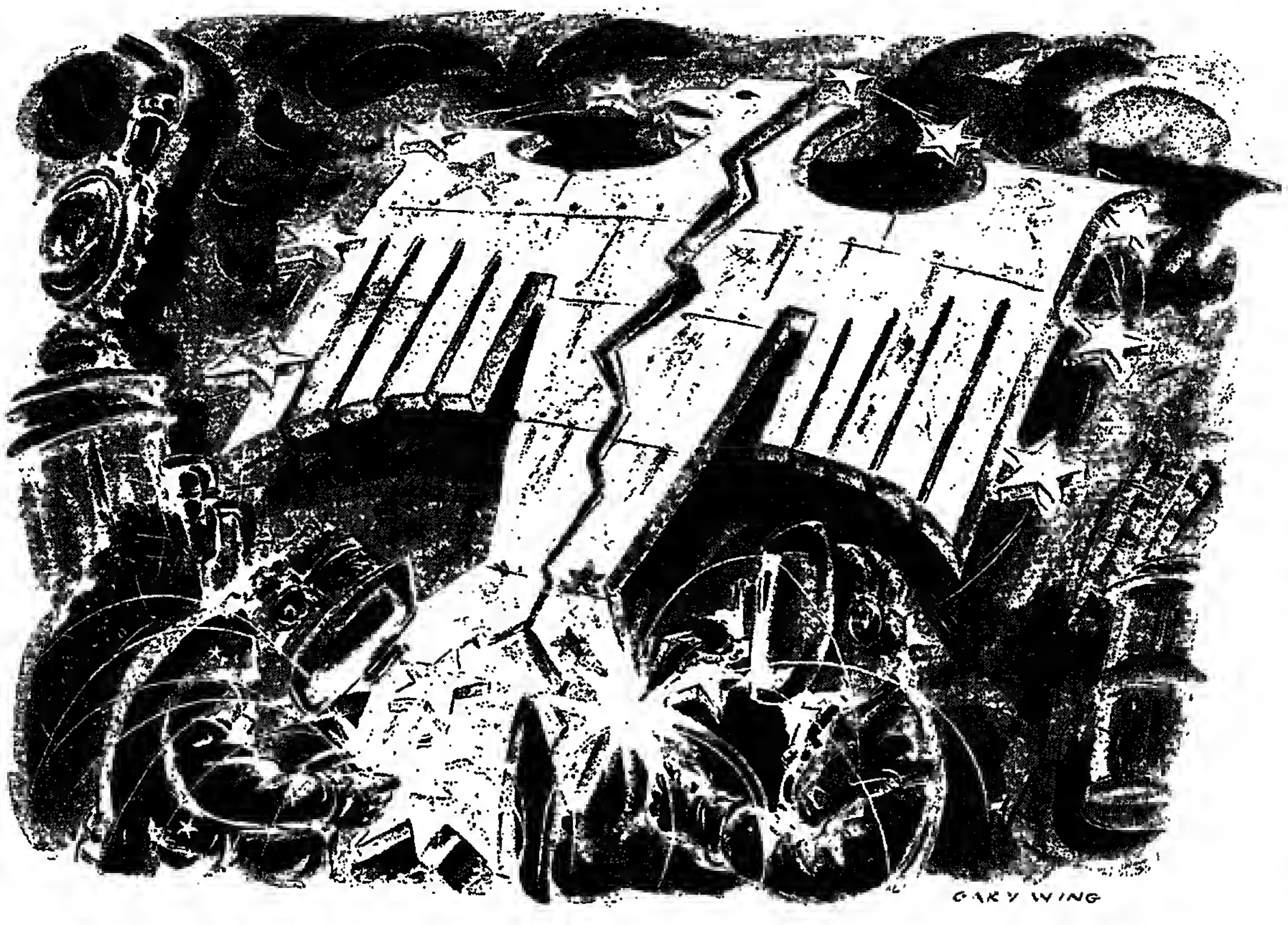
Weekend FT

SECTION II

Weekend September 24/September 25 1994

D-Mark, D-Mark, über alles?

*When Germany was reunified, Europe trembled. **David Marsh** investigates whether those fears are being borne out*



Visions of a united and aggressive Germany, economically far stronger than the Third Reich, have worried many others besides Lady Thatcher, the former British prime minister.

After the collapse of the Berlin Wall in November 1989, such fears were voiced throughout Europe. They were a strong motive behind the plan sponsored by the French government and the European Commission to create a single European currency under international control, and so limit the new Germany's economic independence.

But monetary union appears increasingly uncertain, not least because of doubts in Germany; meanwhile the German economic machine is moving once again steadily forward...

So how long will it take for the eastern and western parts of the nation to grow together? Will the Germans rediscover a sense of national identity after 40 years of division? And then, most important, and potentially alarming: will the Germans again dominate Europe?

Four years after the twn Germanys were united, the answers are starting to crystallise. First, although economic growth has resumed after the early shock of unification, eastern Germany will not catch up with the west until 2010 at the earliest – far later than the optimists (including Chancellor Helmut Kohl) forecast in 1990.

Second, national solidarity seems to have diminished rather than strengthened since 1989. Mass unemployment in the east, and the heavy cost to west German taxpayers of DM150bn in subsidies paid annually to the east, have caused resentment on both sides of the Elbe.

A recent opinion poll indicated that only 28 per cent of Germans in the east, and 47 per cent of those in the west, regarded the German nation as "one people" – many fewer than four years ago. The poll also showed a strong consensus that the D-Mark should not be abandoned in favour of a single Euro-currency.

Third, united Germany is not in a dominant mood – nor does it look likely to be. Although larger than the old Federal Republic, it is weaker in political balance, in economic structure, in ability to govern itself, in capacity to exert patient influence on its neighbours. Indeed, a wish to preserve the D-Mark seems to symbolise a desire for national continuity rather than the dominance of others.

Some of the anxieties of Germany's neighbours were allayed by the greater than expected problems which it faced after unification. The country is neither flourishing, as Kohl forecast, nor dominant, as Thatcher feared. This summer, Douglas Hurd, the British foreign secretary told the German magazine Der Spiegel that his former boss's fears were "her chief foreign policy mistake after the fall of the Berlin Wall."

Indeed, Germany's energies will be largely absorbed by its domestic challenges at least until the end of the century. During four decades of division, the Federal Republic, closely integrated with the West, grew wealthy, comfortable and indecisive. It became a country of efficiency and self-effacement: its speciality was no longer motorised war but motorised holidays. As the events of 1989-90 showed, it was not a country that could carry out the radical reordering of national priorities made necessary by the huge task of unification.

Although Kohl's stature gained greatly from the triumph of unity, it was weakened by the difficulties which followed. If the chancellor's position is further undermined in the October 16 general election opportunities for vigorous government leadership could diminish further.

Those still anxious about Germany might consider the following statistics: In 1970, West Germany accounted for 29 per cent of the total income of the 12 countries now in the European Union. In 1993 united Germany's share of the EU's income was slightly lower at 28 per cent. United Germany's share of world output last year was about 7.5 per cent compared with 9 per cent in 1970 for West Germany alone. (The US's share last year was 27 per cent, Japan's 16 per cent)

The takeovar of moribund East Germany has made the Federal Republic – for the time being – a poorer country.

A good place to see how Germany has been transformed is the town of Jena, in Thuringia, in eastern Germany, the home of Carl Zeiss, the world-famous optical group. This was one of the successes among the German Democratic Republic's battered industrial enterprises. Tower cranes soar over rubble-strewn building sites, while excavators and sparkling new glass offices glint against the still-drab background of pre-war apartment blocks. Zeiss has benefited from DM3bn in public sector grants, yet – as the result of mass layoffs since unification – unemployment in the town has risen to nearly 30 per cent.

Jena's future is unquestionably brighter than five years ago. But people shopping in the sunshine last week made no secret of their disillusionment. A middle-aged dental assistant spoke of the "misery" of her unemployed friends, while a young pram-pushing mother said east Germans had been unprepared for the hardships that followed unification.

Lothar Späth, the chairman of Jenoptik, the company set up by the Thuringian state government to run part of the old Zeiss activities, admits that the Bonn government underestimated the size of the task. Three years ago, Späth, a one-time ally of Helmut Kohl and former premier of the prosperous west German state of Baden-Württemberg, took on the job of trying to attract hi-tech investment to Thuringia.

In a coolly-furnished office high in Jenoptik's renovated headquarters in central Jena, Späth says west Germans must accept the need to subsidise the east for 10 to 15 years, although at a declining rate.

Späth says, with a Swabian chuckle, that west Germans' reluctance to take decisive action to help overcome east Germany's difficulties may have added DM100bn to the reunification bill. However, this bas brought some advantages. "Our neighbours would have been far more nervous if, with typical German thoroughness, we had all been ready to make big sacrifices. I am not unhappy that there was no great national enthusiasm. It is good that we can point out to foreigners that the west Germans are speaking badly about the east Germans, and vice versa."

As for the worry that Germany will flex its economic muscles on its neighbours, Späth says: "We will be the leading economy in Europe, but we will not be dominant. The big international corporations are taking ever less consideration of national boundaries. In future, a lorry driver in Australia will never know that the axle comes from Brazil, the coachwork from Indonesia, the motor from Hungary and the know-how, perhaps from Germany. This globalisation means that we will no longer be able to talk of countries running dominant economic policies – which will be for the good of Europe."

Jochen Bergmann, the head of the Jena Chamber of Industry and Commerce, takes a similarly internationalist line: "I don't understand all this talk of domination. We need a strong Germany, a strong France and a strong Britain to stand up to the competition from China."

The German economy now looks a great deal more bealtby following the sharp 1992-93 recession in the west and the shattering 40 per cent economic contraction in east Germany in 1990 and 1991. Germany is now on course for 2.5 per cent expansion this year, while east Germany – where per capita income is still only 40 per cent of levels in the west – is growing at an annual 8 per cent to 10 per cent.

However, earlier reluctance to reduce the high costs of Germany's manufacturing base bas stored up pain for the future, according to Roland Berger, who heads the Munich-based firm of management consultants bearing his name.

Berger, whose company is owned by the Deutsche Bank, says high wage rises in the early period after unification have further reduced Germany's international competitiveness. He says west Germans need to cut their living standards further during the next few years. And he forecasts that manufacturing industry will become relatively less important in the economy, as employment is switched to low-cost manufacturing sites abroad. Although Berger forecasts an increase in employment in the under-developed service sector, he believes that 2m jobs may be lost in the vulnerable sectors during the next three or four years.

Herbert Henzler, chairman of the German operations of the McKinsey management consultants, also takes a gloomy view. In spite of this year's much better than expected German export performance, he says, "A 30 to 40 per cent gap in production costs [compared with competitors in Asia and the US] cannot be made up in a few months."

Continued on Page IX

CONTENTS

Family finance : How pensioners can raise cash III

Sport : Grand Prix drivers learn to drive again XIV

Books : Gunboats off Haiti, a history of US intervention XV

Arts : The Jerwood prize – rich and boring XVII

Food & Drink: Broking bread, 1990s style XX

Interview: A warm breeze blows from Moscow XXII

Bears, birds, otters and elephants: on safari from Amazonia to the Shetlands X & XI

Arts	XVI-XVII
Books	XV
Bridge, Chess, Crossword	XXI
Fashion	XVIII
Finance & the Family	III-IX
Food & Drink	XX
Gardening	XIII
How To Spend It	XIX
Interview	XXII
Markets	II
The Nature of Things	XXII
James Morgan	XIII
Motoring	XIII
[illegible]	XIV
Small Business	IX
Sport	XIV
Travel	X-XI
TV & Radio	XXII

The Long View / Barry Riley

When numbers deceive

Truth is an elusive concept, in the financial markets as anywhere else. Whatever the scope for developing measurement standards of precise technical accuracy, the commercial pressures will often dictate a blurring of the vision. Harsh numbers can create discontent, unless tweaked or evaded.

This week, I have spent an instructive few days in Edinburgh at a congress of European financial analysts who are, rightly, concerned about whether the companies in which they invest are telling the truth about their performance. But, too often, the analysts are in turn busily pulling the wool over the eyes of their own clients, whether pension plans or investors in mutual funds.

The argument for accurate financial reporting by listed companies is simple and powerful. Only if clear and honest numbers are reported can share prices be set accurately by the markets, so that capital can flow in an efficient way to the most attractive investment opportunities. At the same time, it can be withdrawn from enterprises that have large quantities of capital employed but can only achieve low returns.

In the real world, however, companies rarely produce strong and progressive profit figures. There are awkward fluctuations, even in the profits of successful companies. So, finance directors are tempted to iron out the variations, to generate the nice, smooth sequence of profit numbers that the stock market appears to want.

One of the dodges employed by British companies has been to use takeovers as a cover for profit smoothing. The rules of acquisition accounting have, until now, permitted companies to set up large balance sheet provisions to cover the direct costs of acquisitions and the subsequent expenses of restructuring.

Far from mergers being expensive and disruptive, which is the economic reality, the accounting presentation has been that takeovers often generate immediate earnings gains. Hence the uproar this week when finance directors attacked the restrictive new draft accounting standard, FRS7, which curbs the ability of acquisitive companies to shuffle take-over costs from their profit and loss accounts and bury them in their balance sheets.

In Edinburgh, the chairman of the Accounting Standards Board, Sir David Tweedie, pointed out to the analysts that this was simply one more stage in the process of eliminating creative accounting. Already, the "extraordinary" items which used to litter the accounts of British companies have been eliminated.

The old rule was that exceptional items counted towards earnings per share but extraordinary items did not. Oddly enough, exceptionals almost always seemed to be positive but extraordinaries were negative. It is, however, still possible to play a game with exceptional items, as is shown by the practice of "big bath" provisions.

The stock market can, perhaps, be persuaded that so-called "charges" set up in anticipation of restructuring expenses or redundancy costs are unusual and do not reduce – indeed, may even improve – the future earnings potential. Grand Metropolitan tried this one on Monday for the second time in less than a year. But if such provisions become routine, how can they be described as exceptional?

Fragile accounting concepts can take a terrible battering when major commercial objectives are at stake. But do the financial analysts have their own hostages to fortune here? Murky things can also go on when fund managers present their own investment returns, and it is interesting that the European analysts have set up their own commission to attempt to raise standards in this area.

Often, the whole embarrassing subject of investment performance is avoided carefully. During the Edinburgh conference, for instance, four Scottish investment institutions – Standard Life, Scottish Widows, Murray Johnstone and Baillie Gifford – outlined their achievements and their strategies. None offered performance data of any kind, an omission equivalent to four major listed companies giving presentations without mentioning their profits or their returns on capital.

The uncomfortable underlying truth, of course, is that most fund managers produce unexciting results: indeed, by mathematical principle, the average manager cannot beat the index. Moreover, academics have shown that most managers who do outperform for short periods do so simply by chance.

(Incidentally, on a slightly different subject, a French professor, Bertrand Jacquillat, presented a study which indicated that analysts working for brokers who attempt to forecast company profits also show no signs of consistently beating the herd. Such results do not show that the analysts are incompetent but, rather, that the markets are efficient).

The European analysts – the European Federations of Financial Analysts' Societies, to give them their full title – are setting up a commission to try to sort out the jungle of performance measurement. At present, it is notorious that investment houses tend to cherry-pick their best-performing funds and individual managers and present them as representative rather than exceptional. Weak funds are, somehow, dropped. Everybody in the fund management business, if you believe the claims, has a better-than-average performance, at least over some carefully-selected period or other.

If chance and the law of averages are indeed the dominant influences, it might be better to choose a below-average fund manager whose fortunes may be on the turn rather than a top performer whose lucky streak is about to run out. Ironically, the better and more reliable the performance numbers become, the more irrelevant they may be seen to be. Truth may be less influential than fiction.

MARKETS

London

A glimmer in the September gloom

Clay Harris, financial news editor

The stock market's black September lightened a touch near the week's end, but equities continued to feel sore from a whiplash of shunts from the US and bumps from Germany. There was little domestic comfort either, as it became clear just how decisively last week's interest rate rise has transformed the investment outlook.

Until the modest recovery on Thursday and Friday, September had developed into the cruellest month for equities in 1994, with the FT-A All-Share index already showing a bigger decline than the 6.78 per cent drop it suffered in March.

As well as equinoxes and unsettled weather, those two months also mark the high tides of corporate reporting. The September peak has passed, with most companies providing little grounds for optimism to offset the prevailing malaise.

On Wednesday, Kleinwort Benson Securities translated this sentiment into hard numbers, cutting its forecast for earnings growth in 1995 from 10 per cent to 8 per cent and counselling clients to look towards bonds rather than equities for the time being.

It will not be easy in bonds either. The yield on 10-year gilts breached 9 per cent on Tuesday for the first time since October 1992. By yesterday, however, it was down to 8.86 per cent. The government bonds market took in its stride news both of a £2bn gilts auction, on the low side of expectations in terms of size, and the German announcement of a rare issue of floating-rate bunds. The latter proved a puzzlement, giving no explicit pointers to the timing – or direction – of the Bundesbank's next interest rate move. London was evenly divided between judging the move desperate or clever.

Figures published on Tuesday showed a lower than expected rise in bank and building society lending and a fall in lending to the corporate sector in August. This helped to allay worries of inflationary pressures, although the British Bankers Association also noted a jump in lending to individuals and a fifth monthly rise in consumer credit, suggesting that the April tax increases were beginning to be felt in household budgets.

Friday's GDP figures not only appeared to bear this out, but indicated the squeeze had begun even earlier. According to these data, real personable disposable income fell by 1.8 per cent between the first and second quarters of 1994, the biggest such decline for 13 years. But some analysts noted that the figures were contradicted by strong retail sales data in the second quarter.

Never mind the ambiguity, equities found solace in even a hint of news that arrested the slide. The FT-SE 100 Index gained 7 to 3028.2 on Friday, to limit its loss for the week to 36.9 points.

The worst day was Tuesday when a widening US trade deficit spooked markets everywhere and cost the FT-SE 100 41.8 points. But the next day brought better than expected German money supply figures, which gave London a respite, before US housing statistics knocked shares down again.

While most of the market was in the dumps, Browning-Ferris Industries of the US thought it could find treasure in trash. It launched a surprise takeover bid for Attwoods, which has attracted as much attention over the years for the colourful characters on its board and in its orbit as for the garbage business itself. Attwoods said "rubbish", in Cityspeak, to the £564m bid and its shares now stand at 116p, against BFI's 109p offer.

A dawn raid by the Mirror Group picked up 14.9 per cent of Scottish Television's shares for £37.4m. Although Mirror, as a national newspaper publisher, faces a 20 per cent regulatory cap on its potential stake in the ITV company, the shares of other medium-fry regional broadcasters jumped.

Another rare pillar of support came in the electricity distribution sector where Northern Electric helped to buoy sentiment by buying in 10 per cent of its shares.

And drugs proved a more pleasant distraction than for the Liberal Democrats in Brighton. Speculation about a merger between pharmaceutical giants Zeneca and Wellcome pushed their respective shares 1.4 and 4.1 per cent higher on the week, although their attractions faded as the general market firmed.

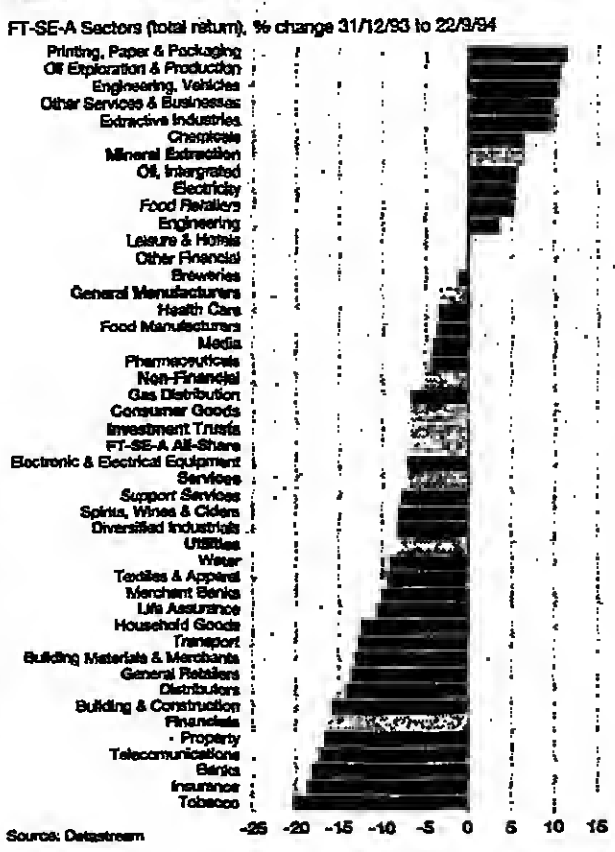
Spirits were not as high at Guinness and Grand Metropolitan. United Distillers, on which Guinness relies for two thirds of its profits, saw first-half operating profits fall by more than 4 per cent to £258m. GrandMet devoted more than half of a £280m restructuring charge to a shake-up at International Distillers and Vintners, the world's biggest spirits producer. Speaking of dog's breakfasts, GrandMet also sold its US pet food brand Alpo to Nestlé for $510m (£325m).

British Aerospace trebled its interim underlying profits to £90m, but worried the market with increased losses on commercial aircraft and a £115m cash outflow in spite of selling Rover to BMW for £800m. Its shares initially fell 26p to 445p, but recovered most of the loss by Friday.

A BAe spin-off was one of two recent flotations whose price charts now resemble Niagara Falls. Aerostructures Hamble, bought by management from BAe in 1990, fell 50p to 73p after warning of problems with contracts. It floated at 120p barely three months ago. McDonnell Information Systems, which came to market in March at 260p, saw its price cut in half to 112p on poor interim results.

Diminishing returns

FT-SE-A Sectors (total return), % change 31/12/93 to 22/9/94



Source: Datastream

HIGHLIGHTS OF THE WEEK

	Price y'day	Change on week	1994 High	1994 Low	
FT-SE 100 Index	3028.2	-36.9	3520.3	2876.6	Interest rate worries
FT-SE Mid 250 Index	3560.9	-55.2	4152.8	3363.4	Buyers withdraw
Aerostructures Hamble	72	-51	126	72	Profit worries
Argyll Grp	268	-22	315	222½	Fears of price war
British Airways	373	-9½	496½	364½	Air fare wars
Granada	501	+15	598	475	Analysts recommendations
GUS	559	+18	653	524	Share buy-back speculation
Kleinwort Benson	466	-28	693	424	Turbulent markets
London Elect.	714	+26	753	534	'Recs' rally
McDonnell Info.	109	-110	264	109	Dismal interim figures
Midlands Elect	790	+17	840	547	Share buy-back expected
Sainsbury (J)	397	-40	480	342	Fears of price war
Scottish Television	491	+47	574	355	Mirror buys 15% stake
Tesco	232½	-16	255	200½	Fears of price war
Vodafone	198	+11½	212	157½	Hoare Govett positive

Serious Money

Freeing trusts to roam the world

Gillian O'Connor, personal finance editor

The Securities and Investment Board's creeping overhaul of the unit trust industry's rulebook combines deregulation with improved disclosure. The British nanny mindset is giving way to the American idea that the investor can be expected to look out for himself provided he is given all the relevant information.

This week's tinkering came from two directions. The SIB itself (the top watchdog) proposed changes to several aspects of the rulebook. And its offshoot, the Personal Investment Authority (concerned with products sold to the public) published its disclosure proposals for unit trusts.

The PIA's disclosure proposals are discussed on page VII, where they get a "beta minus": generally OK but the information on the effect of charges on your investment needs to be far more clearly set out. Charges on an average long-term investment in a unit trust have roughly trebled in the last 15 years. And although low charges cannot turn a dud fund into a star, they can drag a star down to earth. Would it not be helpful actually to illustrate the effect of such charges?

The SIB's loosening of its controls on authorised trusts does three things: it allows unit trust managers the charging freedom already enjoyed by managers of unit trusts wrapped inside a Personal Equity Plan; it gives them greater freedom to decide where to invest; and it simplifies the price information which trusts are required to publish.

The price simplification gets rid of the requirement to publish the cancellation price, and is part of "moves to a more user-friendly terminology". Fair enough, although the cancellation price was actually useful to the handful of unit trust investors who understood it. If the bid price (what you get when you sell your units) is the same as the cancellation price, it means you are getting the lowest possible price the managers are allowed to pay. When share prices are generally on the rise fund managers pay slightly more than the minimum when buying units – so that they can also charge the maximum permissible when selling units.

The relaxation in investment restrictions is in many ways the most interesting change – for it may allow managers of emerging markets funds to do a better job. At the moment authorised unit trusts have to keep 90 per cent of their money in markets on the SIB's rather staid "approved" list. Only 10 per cent can go into unapproved markets.

But most of the stockmarkets in south east Asia and South America are not on the list. So unit trust managers wanting a broad spread across markets in these areas have two choices: they can run the trust from an offshore centre such as Dublin or Luxembourg, which has different rules; or they can use circuitous (and probably costly) routes to get the same portfolio spread.

The SIB change will push responsibility for deciding which markets are suitable on to the fund managers and their trustees. They will still be bound by the 90-safe; 10- hairy rule. But it will be up to them to define the boundaries. It is a welcome change, but, like all freedoms, capable of being abused. So keep a close eye on the lists of "eligible markets" that many funds will start publishing later this year.

□ □ □

Creative accountancy is like plastic surgery: it does not of itself delay the final reckoning; but it stops the outside world noticing mortal decay at work. And an appearance of youth may help the moribund to cut a few final capers.

Indeed, in a company context, a hyperactive bid programme can sometimes be a sign that the company cannot afford to slow down.

Take Coloroll. This acquisitive little conglomerate had a market value of just £37m when it was floated in 1985. Over the next four years it spent £400m on a raft of acquisitions, exploiting acquisition and merger accounting techniques in order to enhance profits to the detriment of its balance sheet.*

Its most startling ploy was spending £213m on a textile company called Crowther, and promptly knocking £224m off its balance sheet value. The point of this masochistic-seeming manoeuvre was that these massive provisions were then available to absorb future costs, and so boost future profits. Fine, but eventually the grim reaper caught up with Coloroll: in 1990 the company went bust.

This is one of the more lurid examples of the kind of abuse two new accounting standards outlaw. The standards from the Accounting Standards Board, catchily entitled FRS6 and FRS7, demand that provisions be charged against profits. Most investors can spot a charge against profits; they are less likely to notice balance sheet shenanigans.

Critics argue that charging capital costs against revenue is as bad as sweeping revenue costs into the balance sheet. Maybe. But if that means that managers are forced to put clearer explanations into the annual report, that is all to the good. And if it stops them making silly acquisitions at all, that is even better.

Creative accountancy is only necessary if the managers have something to hide. If they remain paragons of common-sense and long-term planning, they should have no qualms about showing all.

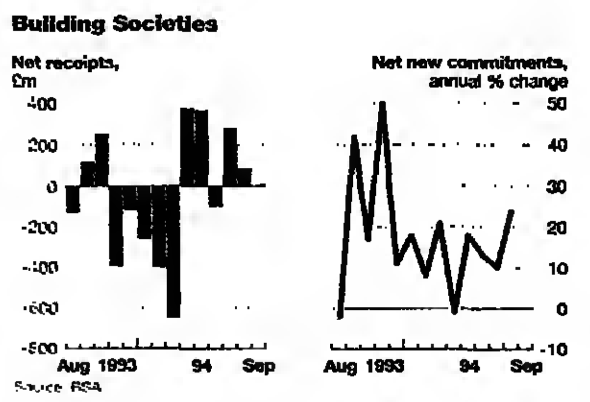
■ *See Accounting for Growth by Terry Smith, published by Century Business.*

AT A GLANCE

Finance and the Family Index

Maximising income in retirement III
The Week Ahead/New issues/Directors' dealings IV
The new market for smaller companies VI
Unit trusts: yields, charges, new regulations/New trusts VII
Pensions/Mortgages/National Savings/Highest rates VIII
Q& A briefcase IX

Building Societies



Source: BSA

New net lending by building societies falls

New net lending by building societies fell in August to £3.02bn from £3.24bn in July, underlining fears of a halt in the recovery of the housing market. Net new commitments are loans agreed but not yet undertaken and the figure is an important forward-looking indicator, since commitments made in one month tend to translate into loans in the following few weeks.

Building society savings levels also fell in August compared to the previous month with net receipts down to £91m compared to £256m in July. **Mortgages, page VIII**

Watchdog's deregulation call

The Securities and Investments Board, the chief City watchdog, this week proposed greater deregulation in the unit trust industry with a series of measures which are to come into effect on November 1. Unit trusts will be able to impose exit charges and will not have to publish the cancellation price – the lowest price at which units can be sold – in the national press.

In addition the terms "offer" – the price at which units are bought – and "bid" – the price at which they are sold – have been removed from the regulations in an attempt to move towards more user-friendly terminology. **Serious Money and page VII**

Swan Hunter pension example

Pensioners who are counting on the government's proposed minimum solvency requirements as insurance that their pension benefits will be paid in full should consider the case of Swan Hunter. The shipyard, now almost certainly facing receivership, has had to tell its members that as much as 40 percent of their pension entitlement will be lost. The irony is that according to the scheme's actuary, it technically is nearly 100 percent fully funded as measured by the new solvency requirement.

Smaller companies decline again

Shares in smaller companies continued to decline this week. The Hoare Govett Smaller Companies Index (capital gains version) dropped 1.6 per cent to 1661.52 over the week to September 22.

Next week's personal finance

A decision is expected next Wednesday on which of Coloroll's former employees are entitled to get what from the former high-flyer's pension fund. It will be a test case in the argument over pensions equality.

Wall Street

. . . but the threat of October chill looms

It has proved an uneasy truce. A little over a week ago, the resolve was there: the course was set, the direction seemed clear. So why, so soon after, are we back to that old prevaricating uncertainty, the vacillation and the lack of conviction?

That question is not only being asked in US foreign policy circles, after President Bill Clinton's apparent compromise with Haiti's military leaders a week ago. The stock market, which also seemed to have achieved a new resolution, has performed a flip-flop of its own over the last 10 days. Was it really less than a fortnight ago that the Dow Jones Industrial Average put on nearly 100 points over three days to rise above 3,950, flirting with its all-time high? By midday yesterday in New York, it was back to 3,835. What went wrong?

The loss of nerve (Wall Street's, that is) is the latest in a series of such twists and turns this year. Investors and traders just cannot make up their mind about how serious the threat of renewed inflation in the US economy is – or how aggressive the Federal Reserve will be in trying to kill it off before it becomes a problem.

A belief that the inflationary bogey was retreating helped fuel that earlier, brief rise in share prices. But as last week closed, the Cassandras were in the ascendant again.

Foremost among the pessimists were Wayne Angell, the Bear Stearns chief economist and a former Federal Reserve Board governor, and Robert Giordano, director of economic research at Goldman Sachs. Both said they expected another rise in US interest rates after the Federal Open Markets Committee, the key policy-making group which determines interest rate policy, meets on Tuesday. If they are right, that would make the sixth interest rate increase since the Fed started nudging rates up in February.

Their views were based on such factors as the last set of producer price inflation numbers, which have been out for a fortnight, and a rise in industrial production and capacity utilisation, which was announced a week ago. Although consumer price inflation seems subdued at present, such forces will eventually feed through into higher prices in stores, the skeptics fear. Angell has also been sounding alarms all year about the rising gold price, a market indicator that Alan Greenspan, the Fed chairman, has said he watches closely.

Higher interest rates hurt stock prices because they reduce companies' profits, adding to the costs of servicing their debt while restraining consumer demand for their products. Also, they increase the attraction of keeping money in the bank or in short-term debt instruments, relative to holding shares.

If the Fed committee does decide that rates should rise, it could, paradoxically, give the stock market something of a lift. The first two US interest rate hikes, in February and March, caught traders by surprise and devastated share prices. Since then, though, the stock market has adapted to this new phase of the market: by marking share prices down in anticipation of an interest rate rise, traders leave less room for surprise. The bad news, when it comes, is at least put behind the market.

That, at least, was the reaction to the Fed's last two rate hikes, on 17 May (when the Dow jumped 50 points) and 16 August (when it rose 25 points.) Each time, it seemed that the Fed would not have to act again for some months. If rates go up for a sixth time next week, though, how confident will the market be that this time really is the last?

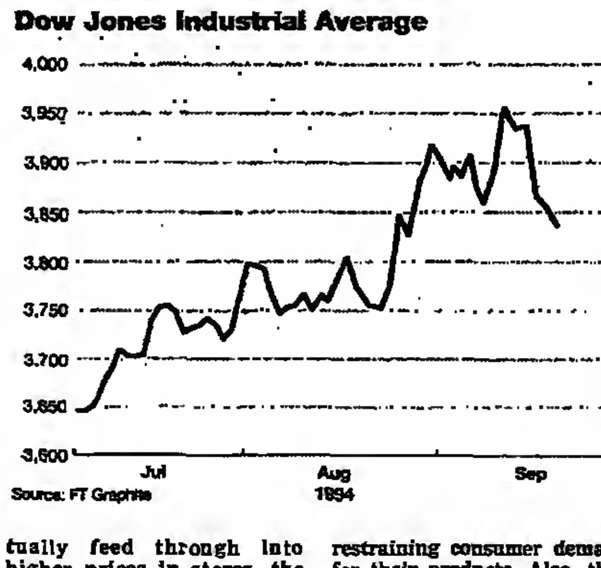
Whatever the short-term reaction, it seems likely that the stock market will have trouble rallying much until bond investors regain some of their lost confidence. While stocks have continued to bump along close to their all-time highs, in spite of the volatility, bonds have slid steadily. At 7.8 per cent, up around 13 basis points (hundredths of a percentage point) on the week, the yield on 30-year government bonds is at its highest level since for more than two years (lower prices equate to higher yields.) At yesterday's level, the yield on long-term bonds is 3 percentage points higher than at the peak of the market's peak last October.

Over the same period, the dividend yield on shares has remained essentially flat, at less than 3 per cent. As the gap between bond and equity yields widens like this, it becomes ever-harder to justify holding shares: either bond prices will have to rise (bringing the yield down,) or share prices will have to fall (lifting the dividend yield.)

Against this background, warnings of a 10 per cent "correction" (to you and me, that means fall) in share prices continue to echo around Wall Street. And, as one or two commentators are beginning to point out, it is nearly October again – the stock market's favourite month for a collapse.

Richard Waters

Dow Jones Industrial Average



Source: FT Graphite

Monday	3936.72 +	03.37
Tuesday	3869.09 –	67.63
Wednesday	3851.60 –	17.49
Thursday	3837.13 –	14.47
Friday		

The Bottom Line

Singing the new-issue blues

Over the next few weeks, investors will be bombarded with share offers from companies floating on the stock market as the autumn season of new issues gets under way. Recent events may make them think harder before signing the cheque.

On Wednesday, shares in Aerostructures Hamble almost halved when the former British Aerospace aircraft components subsidiary, which was floated in May, issued a profits warning. The next day, there was an even more dramatic slump at McDonnell Information Systems (MDIS), which came to market at 260p in March. Following its admission that profits would fall this year, the shares tumbled to 112p.

"Told you so," said those who had warned that this year's bumper crop of flotations contained a number of over-priced, over-hyped issues that would soon go bad. There have been plenty of disappointments already, including the high-profile problems of MAID and the even more spectacular flops of DRS and Coda. But the evidence suggests that the successes still outweigh the duds.

The table shows the best and worst performers among the 84 UK trading companies worth over £10m which have floated so far this year. The share price performance is measured against the FT All-Share index from the first day of dealing until the close of trading on Thursday.

The average is a gain of 5.8 per cent. This is influenced heavily by some spectacular increases from very small companies such as Magnum Power and Waste Recycling. But the average, weighted by market value, would also be ahead thanks to good increases from 3i (up 24.7 per cent) and House of Fraser (up 19.6 per cent).

Yet, the gain is hardly impressive given that new issues are priced to give a reasonable premium on first dealings. For private investors, the evidence is less encouraging still. Of the top 10 performers, all but two – Inspec and Alpha Airports – were placings with institutions, whereas half the worst performers were marketed to the public. The average for those flotations in the sample, where there was either an offer direct to the public or through intermediaries, was a decline of 1.3 per cent.

This squares with most academic studies of initial public offerings which show that, despite the initial premium, they perform much in line with similar companies that are quoted already.

One possible explanation is that companies tend to come to market when their profits are strong and their sector is in fashion. But fashions change – as those investors who bought some of the flood of electronics issues early in the 1980s found to their cost.

One of the attractions of buying shares in a flotation is that, in theory, the company should have been scrutinised carefully by its advisers. But, as last week shows, the fact that names likes Baring or Rothschild appear on a prospectus does not make something a risk-less investment.

When it comes to assessing those risks, it is tempting to look for patterns in the recent flops. Certainly, it is striking that both Aerostructures and MDIS were recent management buy-outs, and some observers argue that the relatively poor performance of this year's new issue crop reflects the many MBOs. Yet, studies in the US suggest that MBOs tend to outpace other companies after flotation – and the fourth-best performer this year has been Inspec, the specialty chemicals company which was a management buy-in/buy-out from BP.

It would also be wrong to read too much into the poor performance of computer and technology companies. DRS, MAID, MDIS and Coda all made the bottom 10 and Chiroscience was the latest of the bio-technology flotations to disappoint. But Ideal Hardware, Radstone Technology, Unipalm and Cedardata all made good progress while Magnum Power, which developed a cheap power supply for personal computers, made the top spot.

Magnum, a four-year-old company which lost £1.23m on turnover of just £59,000 last year, was probably the most risky of this crop of flotations. But it has been the most rewarding. In most respects, new issues are no different from other shares. Investors should judge them on the same basis.

David Wighton

Float or sink?

Best performers	%*	Worst performers	%*
Magnum Power	+97.8	DRS	-54.9
Waste Recycling	+53.5	MDIS	-52.9
Trafficmaster	+46.7	Coda	-50.0
Inspec	+41.5	Aerostructures	-38.7
My Kinda Town	+41.5	MAID	-35.0
Domnick Hunter	+39.5	Chiroscience	-32.5
GRT	+30.4	United Carriers	-26.5
Partco	+30.4	Wainhomes	-24.2
Alpha Airports	+27.3	Nottingham	-22.7
Ideal Hardware	+25.4	Beazer Homes	-20.2
	Average +5.8†		

Share price performance against the FT-A All-Share Index. †Average of all UK trading companies valued at over £10m floated in 1994

FINANCE AND THE FAMILY

Make the most from your home

***Scheherazade Daneshkhu** and **Bethan Hutton** explain how retired people can maximise their income*

As people live longer and retire earlier, they may find that, towards the end of their lives, they do not have enough money to live on. Savings become depleted and inflation eats gradually into a pension.

Some may even have to consider going into residential care and will need to plan how to meet the costs (see below). Those who no longer have any savings may find that their last precious asset is their home.

Depending on its value, it could be worth trading down. But many people under-estimate the costs of moving, while others find the idea too traumatic. How, then, to bridge the income gap?

■ **Home income plans.** These have had a terrible name since the late 1980s when unscrupulous advisers encouraged many elderly owners to take a mortgage and invest in risky, equity-related investment bonds to pay off the mortgage and produce an income. Many investors were left with large debts or even lost their homes. Some are still claiming compensation (see right).

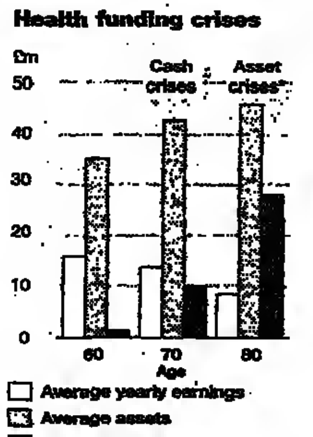
There are, however, more secure plans on the market. The Safe Home Income Plan (SHIP) campaign, launched in 1991, has a code of practice for companies selling them. Members are Allchurches Life, Carlyle Life, Home & Capital and Stalwart Life.

The two main types of home income plan are:

☐ **Mortgage annuity scheme.** You raise a mortgage on part of the property, usually up to a maximum of £30,000 (so that the loan attracts maximum tax relief), and invest the money in an annuity which pays a monthly income after deducting interest payable on the loan. The annuity should be on a "last survivor" basis so that it continues until the death of the second partner. Owners retain legal possession of the home, which is sold when they die to pay off the loan.

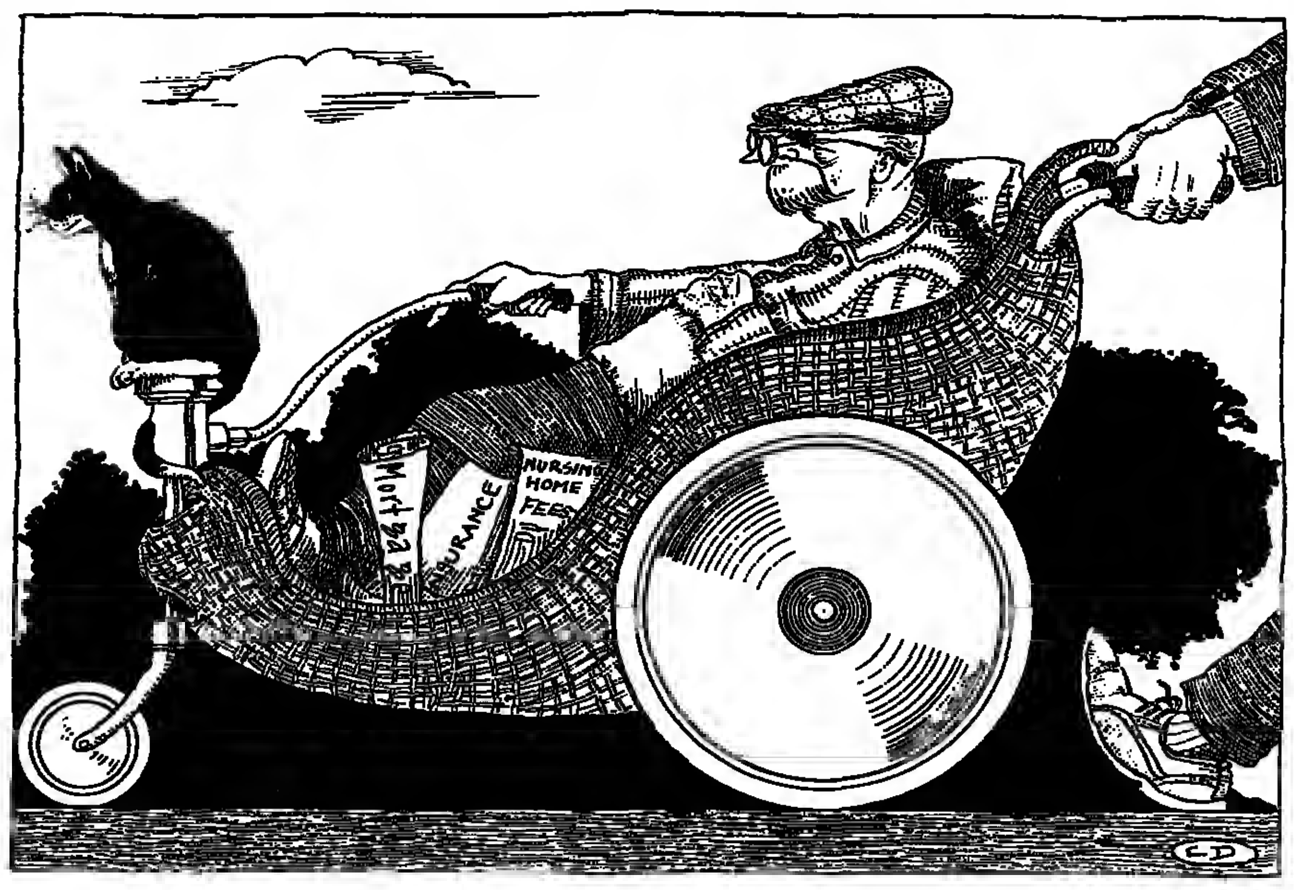
According to Cecil Hinton of financial adviser Hinton & Wild, a London-based firm which specialises in the home income plan market, it is best to fix both interest and income payments. The higher your age, the more income you can expect from the annuity – there is little point in thinking about such a scheme unless you are at least 70.

Health funding crises



* will depend on family/household structure

Sources: Census of GB-New Earnings Survey 1993-Family Spending 1992, BUPA



Hinton says a single man aged 75 who is a basic-rate taxpayer could expect about £1,870 a year, and a single woman of the same age around £1,200, on a £30,000 loan. A married couple aged 75 would receive £770. Non-taxpayers getting state benefits must take into account the effect of the additional income on their tax status and benefits.

☐ **Home reversion schemes.** You sell your home to the company, giving up your right to the property, and are given either a lump sum or an annuity income. But since you could live a long time, the reversion company will not pay the full market value of the home – only a fraction.

According to Age Concern*, which has a fact sheet on raising income from your home, the cash sum can be 35 per cent or less of the home's value and will rarely be more than 60 per cent, even for those over 80. You will not benefit from any rise in the property's value once you have sold it.

A single man aged 75 (25 per cent taxpayer) could expect to receive a £24,500 lump sum or an annual annuity income of £3,400 while retaining a half share in a house valued at £100,000. A single woman of the same age would receive about £23,400 (lump sum) or £2,600 (annuity income). The corresponding figures for a married couple would be £22,300 or £1,900, according to Hinton.

■ **Paying for care.** Most elderly people want to stay in their own homes for as long as possible. But with longer life expectancies, a growing proportion cannot avoid spending their final years in a nursing or residential home. The problem then is finding the money to pay for the care. Typical weekly nursing home costs of £300 to £400 exceed the incomes of most retired people and the state does not provide: anyone with assets of more than £8,000 (including their home) has to meet the full cost of their own care.

In most cases, owners going into care have to sell their homes to cover the fees. But simply selling up, putting the money in the building society and paying nursing home fees out of the income and capital is not an efficient way to proceed – it does not take many years of fees at £20,000 per annum to consume the proceeds. Proper planning is needed.

One recent development is special schemes designed to meet the immediate need for care and to cope with rising fees. Most use part of a cash lump sum (usually from the sale of a house) to buy an annuity, and invest the rest to try to replenish capital.

Insurers offering schemes along these lines include PPP Lifetime, Commercial Union, Eagle Star, Clerical Medical and Scottish Amicable. But since these are complicated financial products, it is essential that you obtain independent financial advice before making any sort of commitment.

A number of financial advisers around the country now specialise in providing advice on paying for care. Philip Spiers, a partner with the Nursing Home Fees Agency, looks at income, assets, entitlement to benefits and all other circumstances before working out the best way to cover fees. This could involve one of the plans mentioned above or a tailor-made solution. "Every case is completely different," he says.

Other specialists include: London-based Advisory & Brokerage Services, which offers fee-based advice on both the choice of home and funding methods; Morton-Wilson, of Nuneaton, Warwickshire; and the Kleinwort Benson private bank.

Many elderly people are reluctant to sell their homes to pay for care because they want their children to inherit – but recent legislation makes this impossible. If an elderly person does not have other assets or income to pay for care, but does own a house, the local authority can put a charge on the property and recoup the cost of care when eventually it is sold.

Transferring ownership of the property to the next generation does not prevent this. If a court decides that a person has disposed of assets to increase his entitlement to state help, he is treated as if he still owned the property.

■ *Age Concern England, Astral House, 1268 London Road, London SW16 4ER (tel: 081-679 8000); Age Concern Scotland, 54A Fountainbridge, Edinburgh EH3 9PT (031-228 5656). For a free fact-pack on paying for care, write to Nursing Home Fees Agency, Freepost, Old Bank House, 95 London Road, Headington, Oxford OX3 9AE.*

If you were a loser...

***Paul Cooper** tells what to do*

Sales of risky home-income plans late in the 1980s have led to a flood of compensation claims. If you were advised to borrow for speculative investment, and could not afford the risk of losing money, you should have a valid case. Here is what to do:

☐ **Was the person who gave the advice authorised to do so?** If so, compensation should be available – but there is no compensation for unauthorised advisers. You could sue but, in most cases, this is not worthwhile. Negotiations with the mortgage lender might help; so might professional aid. Ask Age Concern for its list of specialist lawyers.

Some advisers practised before their application for authorisation was approved. The Investors Compensation Scheme (ICS) excludes pay-outs even if the advisers qualified later – unless you can show advice also was given after authorisation.

☐ **Was the salesman authorised by Fimbra or Lautro (the regulatory bodies)?** If the answer is Lautro, you are lucky. You will get more compensation, faster, because the Lautro/insurance ombudsman bureau guidelines have a clear procedure for such cases. The insurance ombudsman normally makes distress awards of up to £5,000 (the average is around £1,500), especially where the life company has taken a year or two dealing with the complaint (although this is normal).

Since Lautro members in breach of the rules must ensure that clients are not worse off because of their investments, the ombudsman does not subtract money spent by investors when they were led to believe there were no risks attached to doing so. Investors spent the money they received believing it was interest on their home's capital. In reality, they were consuming the capital itself.

If, however, the adviser was authorised by Fimbra, you are likely to receive less since there is a compensation ceiling (of £48,000 per claim) and there is no obligation to return people to the position in which they would have been had they not invested.

☐ **What should I do?** Having established whether the person giving the advice was authorised or not, make a complaint about the advice received to the insurance company or the Fimbra firm, asking for compensation.

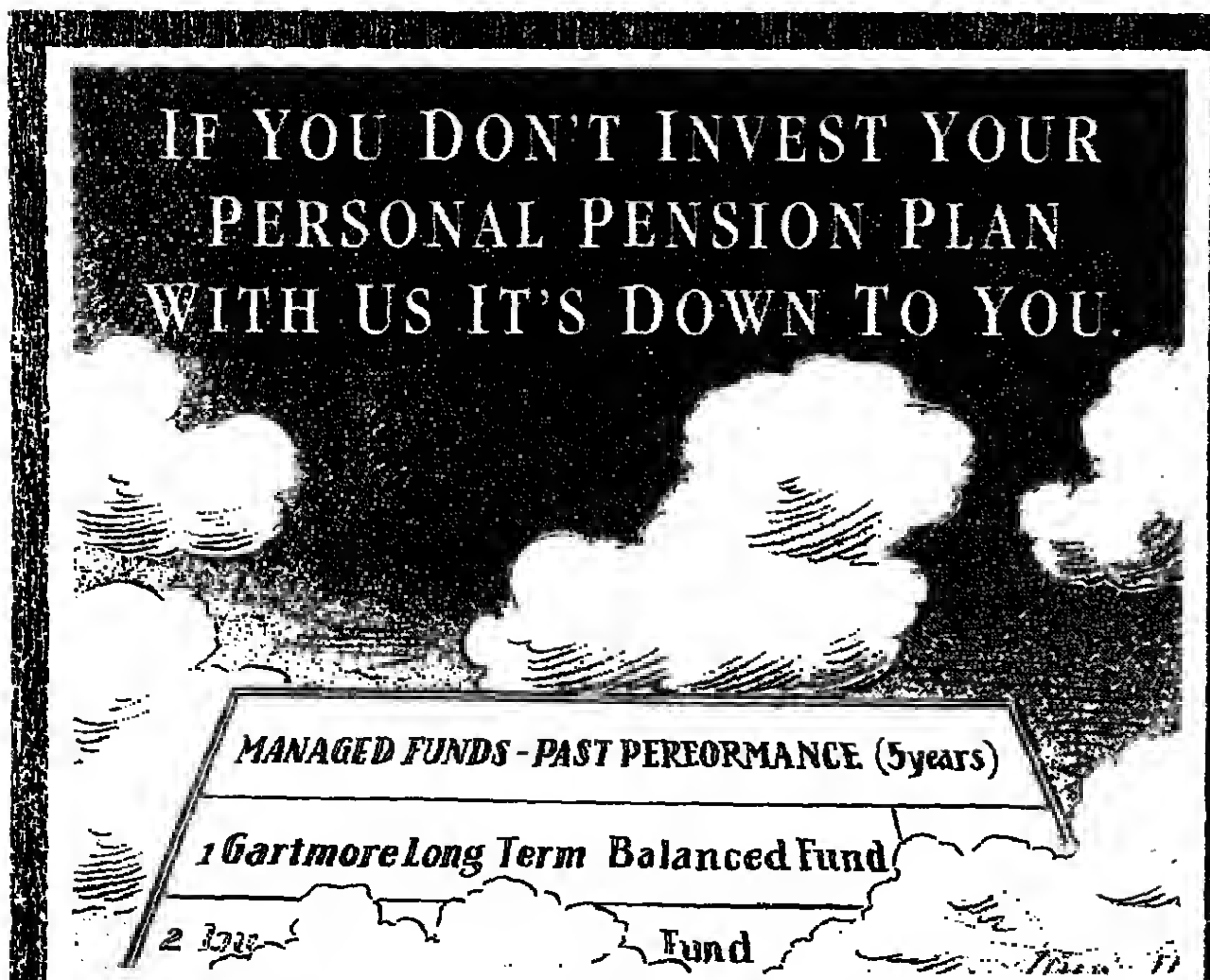
☐ **What are the pitfalls with a Lautro firm?** It might resist your claim or take a lot of time investigating it. If there are no results after two months, take your claim to the insurance ombudsman or the recently-started PIA ombudsman. Do not accept any offer without insisting on a review by the ombudsman.

☐ **What are the problems with a small Fimbra firm?** There is a danger that it might not exist, given the number of firms which Fimbra has de-recognised over the past few years. Call Fimbra (071-538 8860) to check, giving the firm's postcode. If the firm has ceased trading, ask if the ICS has declared a default. If it has, write to the ICS at 2 Bunhill Row, London EC1Y 8SR, registering your claim. Expect compensation within nine-18 months. If not, tell the ICS your problem and ask for a default declaration. Expect compensation within two years.

☐ **What are the problems with a larger Fimbra firm?** If the firm is still trading and disputes liability, you can either get legal aid and sue; apply to the PIA ombudsman; or, in certain cases, apply for Fimbra arbitration.

☐ **What are the risks of arbitration?** It is a binding legal procedure and awards cannot usually be appealed.

■ *Paul Cooper is principal of CLAIMS, which investigates cases of bad advice.*



FINANCE AND THE FAMILY

The week ahead

Inchcape falls back

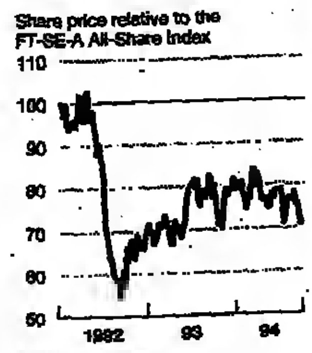
MONDAY: This year has not been a happy one so far for Inchcape, the international motors, marketing and business services group. Its share price has fallen by a third since January and analysts will be anxious for reassurance when the UK-based organisation reports results for the six months to June 30. Analysts expect pre-tax profits of about £115m-£120m, compared with £130m last time.

MONDAY: The stock market will be waiting to see if Hammerson provides details of the planned sale of its £175m Australian property portfolio along with its interim results. With around 50 per cent of its assets overseas, Hammerson is among the most international of UK property companies, so its comments on market conditions in Australia and Canada – where it acquired three shopping malls in July – will be watched closely. Analysts are expecting pre-tax profits of around £22m, against £15.2m last time, and a dividend unchanged at 3.5p.

TUESDAY: Multi-media will be the buzzword when Dorling Kindersley, the publisher of highly illustrated reference books, reports its annual results. Distribution problems last autumn are expected to have cut pre-tax profits from £9.7m to about £8.5m. But most interest will focus on prospects for the group's latest CD-ROM products: five educational packages which combine text, sound and vision for use on home computers.

TUESDAY: Exceptional restructuring costs obscured last year's results from Sears, the clothing retail group. But, on a directly comparable basis, it is forecast to report an increase in interim pre-tax profits from £39.5m to about £46m. Interest charges are likely to be down and both British Shoe Corporation and Selfridges department store are expected to show strong performances, but the picture from the clothing multiples is likely to be mixed.

Forte



Source: FT Graphite

TUESDAY: Half-time pre-tax profits from Tarmac, the housing and construction group, are expected to fall within the range of £19m to £25m. Last time, profits were £2.5m. It is thought that the dividend will be maintained at 3p. The housing division and aggregates market are forecast to produce improved performances.

WEDNESDAY: Good results recently from house-building companies are expected to be repeated when Beazer Homes, floated out of Hanson in February, reports interim results. Analysts are forecasting pre-tax profits of between £28m and £31m.

THURSDAY: Improved half-time results from Redland are forecaat, with the building materials group expected to turn in pre-tax profits of around £130m, against £108m last time. The continued recovery in the continental European building market is likely to be a key component of any improvement.

THURSDAY: Forte announces half-year results, with pre-tax profits of between £50m and £55m expected compared with £37m last time. The results come at the end of one of the most momentous months in the hotel and restaurant group's history. It has been given a formal say in the management of the Savoy group, although it has not won overall control.

More significant from a commercial point of view, it won control of Meridien hotels, the French chain controlled by Air France. Attention is likely to focus on Forte'a success in holding on to contracts to manage Meridien properties.

DIRECTORS' SHARE TRANSACTIONS IN THEIR OWN COMPANIES (LISTED & USM)

Company	Sector	Shares	Value	No of directors
SALES				
Airsprung	HGod	9,000	24	1
Haggas (J)	Text	30,500	4	2
Haynes Publ	Mdia	100,000	445	1
Legal & Gen	LifA	2,500	11	1
Lilleshall	BM&M	7,500	11	1 ♣
Logica	SSer	3,750	12	1
Prov Financial	OthF	7,500	41	1
Ptarmigan Intl	InvT	50,000	120	1
Watmoughs	PP&P	190,000	701	1
PURCHASES				
BET	SSer	30,000	32	1
Berisford Intl	BM&M	20,000	39	1
Blenheim (cu.cv.pf)	Mdia	423,000	315	2
Coutts Consulting	SSer	35,000	19	3
Eldridge, Pope A	Brew	6,324	13	2 #
Filofax	OS&B	20,000	42	1
Forth Ports	Tran	5,000	24	1
London Forfaiting	OthF	300,000	348	1
Mercury Ast Mgt	OthF	16,000	100	1
Nestor-BNA	Hlth	50,000	23	1
RIT Capital Ptnrs	InvT	250,000	470	1
Ryl Bk of Scotland	Bnks	11,810	49	1
Siebe	Eng	3,600	20	1
Willis Corroon	Insu	40,000	64	1

Value expressed in £000s. This list contains all transactions, including the exercise of options (*) if 100% subsequently sold, with a value over £10,000. ♣ convertible preference; #B ordinary. Information released by the Stock Exchange September 12-16 1994.
Source: Directus Ltd, The Inside Track, Edinburgh

Directors' transactions

Watmoughs, the printing and binding company, has just announced interim results that were fairly strong and Patrick Walker, the chairman and chief executive, gave an upbeat statement reflecting improved demand. Following the announcement, be sold 19 per cent of his holding: 190,000 shares at 369p. He is left with more than 800,000.

□ The considerable sale by John Haynes, chairman of Haynes Publishing, is a good example of how important it is to judge a share transaction in terms of the director's existing holding. Haynes holds about 60 per cent of the company, which is capitalised at £69m. His sale, therefore, represents only 1 per cent of his holding.

□ Blenheim Group, the company that organises exhibitions and conferences, used to enjoy a golden spot in the market as its growth rocketed. But the momentum slowed and, over the past year, the stock has underperformed by 32 per cent. Since January, directors have been buying their own shares, and the most recent transaction is by chairman Neville Buch. He bought 15,000 ordinaries and 400,000 convertible cumulative preference shares to take his holding to more than 5,340,000 shares.

Vivien MacDonald
The Inside Track

New issues

ED&F Man, the 200-year-old commodities broker, will be valued at £462.6m when it comes to market next month through a placing and public offer at 180p a share, writes *Peggy Hollinger*. About £110m in shares are being sold, of which £27.5m are being offered to the public. This represents about 24 per cent of the total enlarged share capital.

Man was forced by the recent stock market fall to pitch its share price substantially lower than had been hoped. It had expected to float on an historic price/earnings ratio of about 12 but the shares will start on a multiple of 9.5.

The share price reduction has left Man with what appears to be an attractive notional yield of 6 per cent. But analysts are not convinced the group will be able to sustain such healthy dividend payments. "If you look at the operational cash flow over the past four years, they have moved from hugely negative to quite positive," said one.

The price announced yesterday may leave the shares looking cheap if only the p/e is taken into account. But there are several concerns over the quality of Man's earnings, which mean the jury could be out for some time.

TAKE-OVER BIDS AND MERGERS

Company bid for	Value of bid per share**	Market price**	Price before bid	Value of bid £ms**	Bidder
	Prices in pence unless otherwise indicated				
Aitken Hume	55*	51	51	28.60	Allied Group
Altwoods	109	116	109	364.00	Browning-Ferris
Castle Comms	360*	360	340	24.50	ACE Holdings
Dale Electric	70½*	72	60	16.00	TT Group
Elswick	18¼	17	12	37.70	Ferguson Int'l
Lilliput	180*	180	92	37.20	Stanhome
Low (Wm) ‡	360*	364	169	247.00	Tesco
Plantsbrook	175*	173	165	193.00	SCI
Scholes ‡	250*	253	183	96.10	Hanson
Towles ‡	275*	268	243	4.22	London City
Trans World ‡	181	179	173	70.80	EMAP

*All cash offer. §For capital not already held. ‡ Unconditional. **Based on 2.30 pm prices 23/9/94. §§Shares and cash

RESULTS DUE

Company	Sector	Announcement due	Dividend (p)* Last year Int.	Last year Final	This year Int.
FINAL DIVIDENDS					
Adwest Group	Dvin	Wednesday	2.0	5.2	2.1
Allied London Properties	Prop	Monday	1.075	2.455	1.16
Anglesey Mining	Extn	Friday	-	-	-
Atreus	BdMa	Monday	-	-	0.264
Baring Emerging Europe Trust	InTr	Monday	-	-	-
Beazer Homes	B&C	Wednesday	-	-	12.1
Betacom	E&EE	Thursday	-	-	-
Brackenbridge	Text	Thursday	-	-	-
Burn Stewart Distillers	SW&C	Tuesday	1.7	3.3	1.7
Chesterton International	Prop	Friday	-	-	-
China & Eastern Investment	InCo	Tuesday	-	-	-
Close Brothers	MrBk	Monday	3.2	7.8	5.0
Community Hospitals	Hlth	Monday	2.4	4.5	2.8
Cornwell Parker	HsaG	Monday	1.7	4.0	1.7
DCS	SpSv	Wednesday	-	-	-
Dorling Kindersley	Med	Tuesday	1.1	2.2	1.1
Enterprise Computer	Dist	Monday	-	-	-
European Leisure	L&H	Thursday	-	-	-
F&C US Smaller Co's	InTr	Thursday	1.7	1.27	-
Frogmore Estates	Prop	Wednesday	3.8	12.4	3.8
Goodhead	Med	Tuesday	-	0.05	-
Graystone	Eng	Wednesday	-	-	0.1
HCG Lloyds Inv Tst	Ins	Tuesday	-	0.3	-
Halstead (James)	BdMa	Tuesday	2.5	4.0	2.75
Henderson Eurotrust	InTr	Wednesday	1.5	1.7	1.5
Hidong Estate	OtSv	Friday	-	-	-
Intereurope Technology Svs	Med	Thursday	2.0	5.8	2.0
MR Data Mgmt	SpSv	Wednesday	1.73	3.46	2.076
Macklow (A&J)	Prop	Tuesday	2.963	3.14	3.051
My Kinda Town	L&H	Tuesday	-	-	-
Northern Leisure	L&H	Monday	-	-	-
Pochins	B&C	Thursday	6.0	21.0	6.0
Quayle Munro	OtFn	Wednesday	3.0	3.0	3.0
Regent Inns	Brew	Wednesday	-	2.25	1.75
SWP Group	BdMa	Thursday	-	0.2	-
Thornton Investment Mngmt	n/a	Tuesday	-	-	-
Thorpe (FW)	E&EE	Wednesday	0.8	1.87	1.0
Union Square	Prop	Thursday	-	-	-
INTERIM DIVIDENDS					
Alexon Group	ReGn	Tuesday	-	-	-
Atlas Converting Equipment	Eng	Friday	7.0	15.0	-
Baltic	OtFn	Tuesday	0.5	1.0	-
Billam (J)	Eng	Monday	2.2	3.1	-
Blockleys	BdMa	Thursday	0.5	0.5	-
Brent Walker	L&H	Monday	-	-	-
Brightstone Properties	Prop	Thursday	-	-	-
Britton	PP&P	Tuesday	0.09	0.09	-
Camellia	OtFn	Friday	13.0	18.0	-
Clarke, Nichols & Coombs	Prop	Monday	-	-	-
Culver Hldgs	Dist	Monday	0.11	0.14	-
Darby	BdMa	Friday	0.5	0.7	-
Development Securities	Prop	Wednesday	-	-	-
Erith	BdMa	Wednesday	0.35	0.65	-
Fine Decor	HsaG	Friday	1.0	3.7	-
Fisher (James)	Tran	Friday	-	-	-
Flextech	Med	Thursday	-	-	-
Fortnum & Mason	ReGn	Friday♦	66.0	14.0	-
Fortune Oil	OIE	Tuesday	-	-	-
French Connection	ReGn	Thursday	-	-	-
Garton Engineering	Eng	Thursday	1.125	3.375	-
Global Group	FdMa	Wednesday	0.2	0.3	-
Greenacre	Hlth	Wednesday	0.15	0.18	-
Hammerson	Prop	Monday	3.5	6.5	-
Helical Bar	Prop	Thursday	2.5	3.3	-
Henderson Highland Trust	InTr	Tuesday	1.4	1.4	-
Herald Inv Tst	InTr	Monday	-	-	-
Hi-Tec Sports	L&H	Friday	1.25	1.6	-
Hodder Headline	Med	Monday	1.85	3.35	-
Hopkinsons Group	Eng	Thursday	0.5	0.8	-
House of Fraser	ReGn	Tuesday	-	-	-
How Group	Eng	Monday	0.375	0.375	-
Hurtleigh Technology	Eng	Tuesday	2.0	2.5	-
Inchcape	Dist	Monday	5.8	9.0	-
Inoco	Prop	Friday	-	-	-
Intermediate Capital Group	OtFn	Tuesday	-	-	-
JBA	SpSv	Tuesday	-	-	-
Jacks (William)	Dist	Monday	-	-	-
Kynoch Group	Hlth	Thursday	-	-	-
Linton Park	FdMa	Thursday	2.5	12.5	-
Lyles (S)	Text	Monday	1.75	-	-
MTL Instruments	E&EE	Thursday	1.7	2.4	-
McDonnel Information Systems	n/a	Wednesday	-	-	-
Mediterranean Fund	InCo	Friday	-	-	-
Metalrax	Eng	Monday	1.0	3.0	-
New City & Commercial Inv Tst.	InTr	Thursday	1.3	2.0	-
New Guernsey Secs Trust	OtS	Friday	-	1.0	-
New Throgmorton Trust (1983)	InTr	Wednesday‡‡	-	-	-
Norish	Tran	Friday	-	-	-
Quality Software Products	SpSv	Wednesday	-	1.25	-
Redland	BdMa	Thursday	8.25	16.75	-
Refuge	LIAs	Monday	3.35	7.9	-
Ruberoid	BdMa	Wednesday	-	1.8	-
Sears	ReGn	Tuesday	1.0	2.66	-
Signet	ReGn	Wednesday	-	-	-
Smurfit (J)	PP&P	Wednesday	-	-	-
Speciality Shops	Prop	Thursday	-	-	-
Stylo	ReGn	Thursday	-	4.0	-
T&S Stores	ReGn	Monday	2.5	3.5	-
TDS Circuits	E&EE	Friday	-	-	-
Tanjong	L&H	Friday	0.241	0.966	-
Tarmac	BdMa	Tuesday	3.0	2.5	-
Transtec	Eng	Tuesday	1.3	2.0	-
Trinity Holdings	EngV	Thursday	2.0	4.2	-
Tullow Oil	OIE	Thursday	-	-	-
Unichem	Hlth	Wednesday	2.2	4.3	-
Universal Ceramic	n/a	Monday	-	-	-
Waterford Foods	FdMa	Thursday	-	-	-
Wensum Co	Text	Tuesday	0.625	1.375	-
Yule Catto	Chem	Tuesday	2.55	3.65	-

*Dividends are shown net pence per share and are adjusted for any intervening scrip issue. Reports and accounts are not normally available until about 6 weeks after the board meeting to approve preliminary results. ‡‡ 1st quarterly. ♦ 2nd quarterly. ★ 3rd Quarterly

PRELIMINARY RESULTS

Company	Sector	Year to	Pre-tax profit (£000)		Earnings* per share (p)		Dividends* per share (p)	
Alumasc	BdMa	Jun	8,890	(7,550)	19.0	(16.9)	6.5	(5.875)
Bailey (CH)	OtSv	Mar	190 L	(446)	-	(0.74)	-	(-)
Barratt Developments	B&C	Jun	35,200	(20,400)	12.9	(9.3)	6.0	(4.0)
Bryant	B&C	May	36,500	(18,300)	8.9	(4.9)	5.0	(4.8)
Conrad	Text	Jun	100	(1,480 L)	0.15	(-)	-	(-)
East German Inv Trust	InCo	Mar†	104.9	(114.1♥)	-	(0.6)	-	(0.3)
GT Japan Inv Trust	InTr	Jun†	288.3	(241.9)	1.67	(2.38)	1.5	(1.75)
Graystone	Eng	Jun	4,130	(200)	1.45	(0.57)	0.24	(-)
Green (Ernest)	B&C	Jun	419	(773)	3.6	(6.6)	8.0	(7.0)
Hays	SpSv	Jun	87,800	(86,600)	14.7	(11.5)	6.1	(5.3)
Henderson Eurotrust	InTr	Jul†	140.44	(126.98)	3.89	(4.84)	3.35	(3.2)
Heritage	Dist	Apr	105	(115)	1.85	(2.14)	-	(-)
Industrial Control	E&EE	May	7,220	(6,230)	10.64	(8.76)	5.0	(4.4)
Kleinwort Development	InTr	Jul†	439.85	(354.92)	12.95	(10.93)	11.0	(10.5)
Lloyd Thompson	Ins	Jun	18,200	(17,400)	14.36	(14.8)	7.8	(6.7)
MAI	OtFn	Jun	87,900	(80,200)	16.6	(15.8)	5.8	(4.9)
Murray Ventures	InTr	Jul†	372.0	(348.6)	13.85	(12.78)	11.5	(10.5)
Photo-Me Intl	OtSv	Apr	13,900	(16,200)	10.26	(11.52)	4.8	(4.8)
Pizza-Express	L&H	Jun	5,560	(1,410)	6.5	(3.6)	1.0	(-)
Primadona	InTr	Jun†	294.0	(241.0)	1.2	(3.9)	4.5	(4.5)
Ricardo	SpSv	Jun	4,460	(2,680)	8.4	(4.0)	6.0	(5.7)
Southern Newspapers	n/a	Jul	11,400	(7,510)	39.27	(22.73)	13.5	(11.8)
Tor Investment Trust	InTr	Jul†	£14.89	(13.60)	38.28	(32.80)	40.0	(40.0)
Towry Law	OtFn	Jun	2,820	(2,430)	11.6	(10.2)	4.5	(3.8)
Waverley Mining Fin	Extn	Jun	259 L	(83 L)	-	(-)	-	(-)

INTERIM STATEMENTS

Company	Sector	Half-year to	Pre-tax profit (£000)		Interim dividends* per share (p)	
Andaman Resources	Extn	Jun	24	(-)	-	(-)
Anglo Eastern Plants	OtSv	Jun	1,700	(1,200)	-	(0.5)
Antofagasta	Dvin	Jun	10,100	(11,600)	1.45	(1.2)
Aran Energy	OIE	Jun‡	1,110	(3,370)	-	(-)
Ashley (Laura)	ReGn	Jun	5,100	(1,300)	-	(-)
Automotive Precision	EngV	Jun	2,540	(2,120)	-	(-)
BLP Group	HsaG	Jun	700	(194)	1.0	(-)
BSG International	EngV	Jun	8,280	(6,530)	0.7	(0.7)
BSM	SpSv	Jul	2,230	(144 L)	2.15	(-)
Bemrose	PP&P	Jul	2,700	(2,550)	4.7	(4.3)
Blinton & Battersea	HsaG	Jun	33	(186 L)	-	(-)
Biocure Holdings	Hlth	Jun	715 L	(1,300)	-	(-)
Bodycote	Eng	Jun	7,210	(6,520)	2.15	(2.0)
Bowthorpe	E&EE	Jun	31,200	(27,000)	1.96	(1.86)
Brake Bros	ReFd	Jun	8,860	(7,140)	2.3	(2.0)
Britannia Group	B&C	Jun	518	(868 L)	0.5	(-)
British Aerospace	Eng	Jun	329,000	(20,000)	4.0	(3.3)
Broncliffe Aggregates	Extn	Jun	792	(132)	0.4	(-)
CLS Holdings	Prop	Jun	8,370	(1,490 L)	0.4	(-)
Catsell	Med	Jun	179 L	(345 L)	-	(-)
Chesterfield	Prop	Jun	4,030	(2,040)	1.0	(-)
Cliff Resources	Extn	Jun	583 L	(343 L)	-	(-)
Crean (James)	FdMa	Jun‡	8,050	(7,670)	5.925	(5.65)
Dagenham Motors	Dist	Jun	1,810	(1,300)	2.0	(1.75)
Dencora	Prop	Jun	905	(370)	-	(-)
Dinkie Heel	Text	Jun	231	(308)	0.5	(0.5)
Dragon Oil	OIE	Jun♦	39	(192)	-	(-)
Eadie Holdings	Eng	Jun	262	(650)	0.3	(0.3)
Edmond Holdings	B&C	Jun	130	(167 L)	0.15	(0.15)
Elys (Wimbledon)	ReGn	Jul	107	(74)	2.0	(1.5)
Enco	OIE	Jun	28,000	(21,400)	-	(-)
Fact (EW)	SpSv	Jun	1,210	(802)	1.94	(1.76)
Fired Earth	ReGn	Jun	80	(94 L)	-	(-)
Fitzwilton	ReFd	Jun‡	258	(1,020)	1.0	(1.5)
Geest	ReFd	Jul	17,900	(3,000)	3.7	(3.7)
Golden Vale	FdMa	Jun‡	4,430	(9,140)	0.6075	(0.556)
Guinness	SW&C	Jun	320,000	(305,000)	3.9	(3.62)
Hampden Group	ReGn	Jun	207	(198)	0.2	(-)
Headlam	Dist	Jun	2,150	(1,130)	1.0	(0.85)
Highcroft Inv Trust	Prop	Jun	597	(611)	2.0	(1.9)
Hornby	L&H	Jun	733 L	(791 L)	-	(-)
IOM Steam Packet	Tran	Jun	1,180	(1,910)	1.75	(1.75)
ISA International	Dist	Jun	2,580	(1,950)	0.605	(0.55)
Jerome (S) & Sons	Text	Jun	321	(25)	0.5	(0.2)
Jeyes	HsaG	Jun	1,270 L	(374)	3.3	(3.3)
Keller	B&C	Jun	3,010	(2,150)	0.5	(-)
Laporte	Chem	Jul	58,600	(51,300)	7.9	(7.4)
Macallan-Glenlivet	SW&C	Jun	2,580	(2,160)	0.41	(0.36)
Magnolia	L&H	Jun	309 L	(76)	-	(-)
Martin Currie Pacific	InTr	Aug†	169.4	(140.4)	-	(-)
Matthews (Bernard)	FdMa	Jul	8,360	(4,640)	1.32	(1.1)
McAlpine (Alfred)	B&C	Apr	894	(2,740 L)	3.0	(3.0)
McDonnell Information	SpSv	Jun	5,100	(7,530)	2.3	(-)
Midland Ind Newspapers	Med	Jun	4,800	(-)	1.1	(-)
More O'Ferrall	Med	Jun	2,810	(2,060)	3.2	(3.2)
Morgan Crucible	Eng	Jul	35,000	(32,300)	5.95	(5.75)
Morrison (William)	ReFd	Jul	47,400	(38,200)	0.24	(0.2)
Multipart	n/a	Dec♦	1,500	(-)	-	(-)
Nelson Hurst	Ins	Jun	4,380	(2,610)	2.2	(-)
Next	ReGn	Jul	36,900	(23,000)	2.75	(1.5)
Norcor	PP&P	Jun	4,010	(1,370)	-	(-)
OIS Intl Inspection	SpSv	Jun	60	(1,440)	0.5	(0.7)
Paramba	OtFn	Jun	17	(40)	-	(-)
Pittards	Text	Jun	1,080	(310 L)	0.75	(-)
RMC	BdMa	Jun	98,800	(61,600)	7.0	(6.8)
Rhino Group	ReGn	Jun	1,370 L	(283L)	-	(-)
Roxboro	E&EE	Jul	4,490	(2,970)	1.5	(-)
Sanderson Bramall Mtr	Dist	Jun	3,010	(1,060)	1.0	(0.66)
Seafield Resources	Tran	Jun♦	1,080	(216)	-	(-)
Secure Trust	OtFn	Jun	3,940	(3,710)	5.0	(4.5)
Saxby Farming	FdMa	Jun	406 L	(308 L)	-	(-)
Spandex	B&C	Jun	3,300	(2,400)	0.75	(0.7)
Spirax-Sarco Eng	Eng	Jun	14,100	(11,400)	3.5	(6.6)
Steel Burrill Jones	Ins	Jun	3,790	(3,920)	3.0	(3.0)
TT Group	Dvin	Jul	14,900	(9,420)	3.2	(2.8)
Tesco	ReGn	Jun	250,200	(231,400)	2.7	(2.45)
Tibbett & Britten	Tran	Jul	12,800	(11,400)	5.0	(4.5)
Tilbury Douglas	B&C	Jun	6,070	(12,790)	10.5	(10.5)
Travis Perkins	BdMa	Jun	17,080	(9,310)	2.8	(2.5)
Turnpyke Group	Eng	Jun	16	(185 L)	-	(-)
United Newspapers	Med	Jun	69,900	(51,300)	7.75	(7.5)
Walsbourne	E&EE	Jun	1,070	(16,900 L)	-	(-)
Wassall	Dvin	Jun	11,800	(9,750)	1.15	(0.97)
Wolstenholme Rink	Chem	Jun	2,980	(2,020)	7.8	(6.8)

(Figures in parentheses are for the corresponding period.)
*Dividends are shown net pence per share, except where otherwise indicated. L = loss. † Net asset value per share. ‡ Irish punts and pence. ⚘ 3 month figures. ♦ US dollars and cents. ● Previous year end figure. §§ Net asset value. ♥ Figure at year end 1992. ♦ Net profits.

RIGHTS ISSUES

Dragon Oil is to raise in conjuction with a placing, £9.7m via a rights issue of 1 unit for 26 ords at 4p.

OFFERS FOR SALE, PLACINGS & INTRODUCTIONS

Antofagasta is to raise £11.5m via a placing of 3.74m shares at 308p.
Datrontech is to raise up to £5m via its flotation.
Dragon Oil is to place 165m units at 4p.
ED&F Man is to raise £110m via a placing and offer of shares at 180p.
Enviromed is to raise £2.7m via a placing and offer of 3.6m Prf. shares at 100p, £2.1m via an issue of 1.7m ord. shares and £3.72m via an issue of Loan notes.
Filtronic Comtek is to raise £25m via a placing.
Independent British Healthcare is to raise approximately £20m via a placing.
Irish Permanent is to raise IR£50m via an offer of 30.8m shares at 180p.
Mackie International is to raise £9.8m via a placing of shares at 180p.
Murray Johnstone is to raise about £40m via a placing and offer of shares in the Murray Emerging Economies Trust.
Nobo Group is to raise £10.2m via a placing and offer of 4.89m shares.
Ryland Group is to raise £7.48m via a placing of 10.94m shares at 80p.
Servisair is to raise £9.5m via a placing and offer.

FINANCE AND THE FAMILY

The AIM is excellence

Norma Cohen examines the market proposed to replace the USM

Stock exchanges everywhere face a common problem: the need to protect investors while creating an environment where small companies, in particular, can raise capital at an affordable price.

In Britain, the London Stock Exchange earlier this month produced a plan which tries to strike a balance. Its Alternative Investment Market (AIM), intended to replace the Unlisted Securities Market when it expires at the end of 1996, will allow the UK's smallest companies to seek an exchange listing without meeting any minimum requirements.

There will be no minimum level of capitalisation, no minimum level on the amount of shares in public hands, no minimum trading record requirement and, most controversial of all, no requirement for a "sponsor" – usually, an investment bank which checks the documents accompanying a flotation to see they are accurate.

The trading and reporting requirements for AIM companies will, broadly, be similar to those of others on the stock exchange. Once listed, they will have to disclose information in much the same fashion as companies on the exchange's official list.

The question being debated is how to encourage investors to put capital into small companies without raising the cost of complying with investor protection regulations to unrealistic proportions.

Specialists in small companies say investing in the sector is high risk, anyway. "But you have got to make a distinction between rules which protect against business risk and those which protect against fraud," says Marc Cramsie, head of corporate finance at stockbroker Singer and Friedlander. The latter are the most important, he adds.

Brokers, venture capitalists and others have looked with envy across the Atlantic to the Nasdaq market's small capitalisation stocks listing. In particular, the participation of US retail investors at this end of the stock market is striking.

Nasdaq argues that its own minimum entrance requirements for listing have been a crucial factor in encouraging investors into small companies. "If you are going to maintain the confidence of investors and confidence in the markets, you need to maintain some minimum standards," says Joe Hardiman, its chief executive.

Getting an initial spot on Nasdaq's small companies list requires registration with the US Securities and Exchange Commission, total assets of $4m, an initial flotation of 100,000 shares with a total minimum value of $1m, and at least 300 shareholders. Like the AIM, though, there is no formal requirement for a sponsor with the duty to provide a "due diligence" review of information filed.

As a practical matter, Hardiman says, "only a tiny fraction" of Nasdaq Small Cap companies have no sponsor because each is required to have two market-makers (share wholesalers) prepared to buy and sell the shares in all market conditions. He points out that no sane market-maker would agree to take on a company without having checked it out thoroughly.

The proposed AIM market will require only one market-maker, a rule which also could prompt the majority of companies which list there to use a sponsor as well.

Cramsie argues that the danger of dropping the requirement for a sponsor is that companies will seek listings on the AIM mostly to have a publicly-quoted price for their shares – useful for those seeking a public valuation or wishing to reward employees with profit-sharing arrangements. Those genuinely seeking new capital will join the official list or, worse, choose to list in another country.

"It's going to be very useful for a lot of companies simply to have a trading price somewhere for their shares," Cramsie says. "But the stock exchange really should try to make the AIM a market where people actually are going to raise money."

Brian Winterflood, managing director of Winterflood Securities – which specialises in small company stocks – says he is uneasy about whether AIM rules will be too loose to encourage retail investors to take part in the long run.

In particular, be adds, the goal of the AIM should be to create a US-style share-buying public instead of oue which chooses "race-conrses and bingo halls". He fears that if too many AIM-listed companies turn out to be run by people with dubious credentials, the entire market will be discredited.

David Jooes, chairman of Sharelink, a share-dealing service for private investors, says he believes his clients want to invest in small companies. Moreover, he feels the abseoce of minimum requirements for companies seeking a listing should not be a deterrent so long as investors understand the nature of the market.

"What private investors like is clarity," Jones says. "The proposition that you need lots of regulation to encourage them is untested. We think the proposed AIM will make private investors much keener to go into this sector."

Instead of more regulation, Jones suggests that better communications between shareholders and company directors would improve matters. He feels directors should meet more often with investors to answer their questions about trading conditions. "We need a completely new approach to communication," he stresses.

Jones adds that, if anything, new rules designed to protect investors by limiting opportunities for insider dealing serve only to frustrate this heightened level of communication.

Portfolio investor: tax breaks in different markets

Tax relief	Full quote	USM	Rule 4.2
Inheritance tax Business property relief (50% unless holding exceeds 25%)	No	Yes	Yes
Capital gains tax Reinvestment relief*	No	No	Yes
Holdover relief on gift of shares**	No#	As for full quote	Yes
May qualify as investment trust (so that company's gains are exempt)	Yes	No	No
Income Tax Relief for loss on shares subscribed (ie, primary market)	No	Yes	Yes
Relief for interest on loan to acquire shares	No##	As for full quote	As for full quote
Income tax and capital gains tax EIS treatment	No	No	Yes
BES treatment (existing cos only)	No	No	Yes
Purchase or redemption of company's own shares: treatment as disposal for CGT rather than distribution for income tax	No	Yes	Yes
Can it be put in a PEP?	Yes	Yes	No

*so that gain on disposal of any asset may be deferred by reinvesting in shares in suitable company; ** so that gain may be deferred until donee sells shares in certain circumstances; #unless investor owns more than five percent of capital; ##unless company is close and investor owns more than 5 per cent of capital. Source: Touche Ross*

The table, compiled by Touche Ross, sets out how the tax treatment of investors in the three different stock markets varies at the moment. Investing in companies quoted on Rule 4.2 has considerable capital gains tax advantages, but they are not considered suitable for a personal equity plan. Both Unlisted Securities Market and Rule 4.2 companies have inheritance tax advantages not shared by companies with a full quote. AIM's position remains to be clarified.

Don't take unit trust yields at face value

Investors should be cautious over higher returns, says ***Barbara Ellis***

Newly-launched income unit trusts have been taking advantage of a technical rule change allowing them to publish higher yields than before. Earlier this year, the Securities and Investments Board (SIB) – the chief financial services regulator – decided that fund management groups could take their annual management fee out of investors' capital instead of income, which can boost yield figures by up to 50 per cent.

Save & Prosper launched an Extra Income unit trust, with an initial yield of 6.25 per cent, earlier this month while Mercury Income Portfolio was launched last month with an initial gross yield of 5.25 per cent. Both groups have taken full advantage of the SIB change, which adds up to 1.5 percentage points to the yield figures they could otherwise have shown.

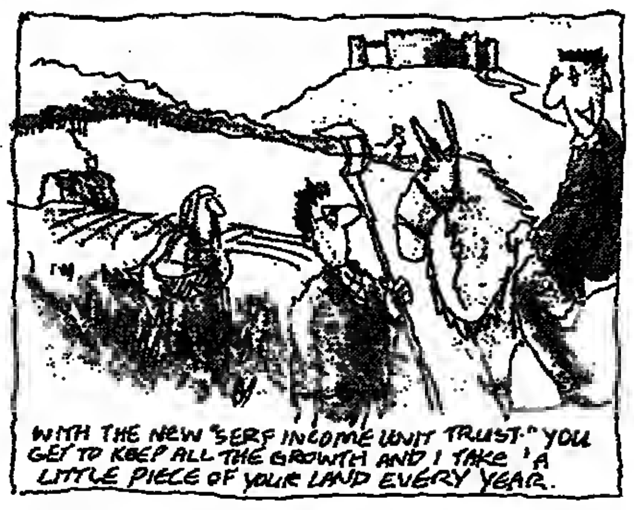
The change affects unit trusts aiming mainly for income, or emphasising income and capital growth equally. Unit trusts are being told to disclose the method of charging fees against capital, noting clearly that this could impair future capital growth. Existing unit-holders are entitled to three months' notice of a change of charging method.

Management groups are divided over whether existing unit trusts should convert to the new treatment, pointing to possible tax disadvantages for investors as well as managers.

The main catch is for higher-rate taxpayers who may not want the higher yield. They will find themselves paying 40 per cent on the excess income unless they move to a different, lower-yielding fund.

Although most managera claim there is little possibility of investors being confused or misled, some are nervous about the appearance in close proximity of figures established on different bases, and stress that total return is what counts. They urge investors to probe beyond headline yield figures to find exactly how returns are being achieved.

Peter Edwards, of Premier Unit Trust Brokers in Bristol, thinks most unit trust groups eventually will join the charge-to-capital club, whatever their present attitudes. "It's a very competitive world – they will see this as something they have probably got to do."



WITH THE NEW 'SERF INCOME UNIT TRUST' YOU GET TO KEEP ALL THE GROWTH AND I TAKE 'A LITTLE PIECE OF YOUR LAND EVERY YEAR.'

The danger of charging fees to capital is that it might be eroded or future growth constrained, but Edwards believes ordinary investors are not concerned with the allocation of managemant fees. "People don't honestly give a hoot about this. Most people just want that dividend cheque."

S&P is expecting Extra Income to pull in more than £50m in its initial offer period. S&P's literature notes that "...it is likely that some or all of the annual management fee will be charged to the fund as capital."

Julian Tregoning, director of investment products at S&P and chairman of the Association of Unit and Investment Funds, says this is merely the required form of words. In practice, the full 1.5 per cent will be charged to capital.

He says S&P might alter some of its existing income funds so that only part of the management fee is set against capital. "It will depend on the income requirements. We want to make sure we maintain income."

Management groups with income funds at the top end of the performance tables are taking a cautious approach to the rule change. Peter Reeve, managing director of Jupiter Tyndall Merlin, says he and the trustees have decided against any immediate alteration to the group's income fund.

This is the top performer in the UK equity income sector over five, three, two and one years to August 1 (aource: HSW, offer-to-bid, net income re-invested). Reeve says: "We shall have to see how our nearest competitors in the performance tables deal with this. We are not rushing into anything."

At GT Unit Managers, also a consistent high performer, managing director Martin Harrison says the new charging method will not be adopted for the existing income fund. But the group might well launch a new unit trust using it, given the very strong demand for income.

Perpetual does not plan any immediate changes. Marketing director Roger Cornick explains: "We are not rushing to tell investors we can possibly squeeze a drop or two of extra income. I think groups with the greatest need for improved yield figures will probably make use of the relaxed rules most quickly."

M&G also is making no changes. Communications manager Rachel Medill points out: "By taking charges from capital, you get a high yield – hut you are no better off in total return terms." She was vague, however, on whether this would be long-term policy for M&G, saying the pressures of competitive life made a definite forecast difficult.

Schroder is to write to the 14,500 holders of its £128m Income fund in November telling them that the fund will begin taking its 1 per cent annual charge out of capital next February. This will lift the yield by 28 per cent, from 3.6 to 4.6 per cent. Unit-holders who object will be offered a free switch into another of the group's funds.

According to Bridget Cleverly, assistant director of marketing, the group thinks the change will be tax-neutral. "It will make our income fund much more attractive for people looking for income not total return," she says. Schroder also is considering a similar move involving its gilt and fixed interest trust and global bond fund.

Both Fidelity and Gartmore have decided against altering any of their existing funds at present. But at Prolific, which has yet to decide, marketing director Mike Webb says there is a very sound investment reason for charging fees to capital.

It is, he explains, easier for the fund manager to achieve a yield by investing in companies lower down the yield curve than is possible when fees come out of income. This means the fund manager is able to buy shares with better prospects for long-term capital growth.

NEW INVESTMENT TRUST LAUNCHES

Manager (Telephone)	Broker	Sector	Warrants	Targets: Size £m	Targets: Yield %	PEP Qual?	Savings Scheme	Issue Price p	Minimum NAV p	Outside PEP: Minimum Invst. £	Outside PEP: Annual Charge %	Inside PEP: Minimum Invst. £	Inside PEP: Annual Charge %	Offer Period
■ Fidelity Special Values														
Fidelity (0800 414161)	SG Warburg	UK Growth	1:5	30+	n/a	Yes	Yes	100p	95.5p	£1,000	0.95	n/a	n/a	19/10/94-9/11/94
New twin for Fidelity's Special Situations unit trust, run by Anthony Bolton														
■ Infostructure Trust														
BZW/Société Générale Strauss Turnbull (0500 202021)	Soc Gen ST	Emerging Mkts	1:5	40+	n/a	No	No	100p	96p	-	1.25%	n/a	n/a	25/10/94-4/11/94
Innovative trust planning to invest in "information infrastructure" in emerging markets														
■ Lazard Brewers														
Lazard Investors (071 614 3065)	Greig Middleton	UK General	1:5	50m	3%	Yes	n/a	100p	96p	£1,000	1%	n/a	n/a	end Sept for 3 wks
Specialising in regional brewers, pub companies and others involved in the production or sale of drinks														
■ Prolific Income														
Prolific (0800 998855)	James Capel	UK Inc Growth	1:5	40+	4%+	Yes	Yes	100p	95.1p	2,000	0.8%	2,000	1.6%	22/9/94-13/10/94
Similar investment strategy to existing Prolific High Income unit trust, ranked 30th of 94 funds over five years														

NEW UNIT TRUST LAUNCHES

Manager (Telephone)	Sector	Target Yield %	Full PEP Qual	Savings Schemes Avail.	Charges outside PEP: Initial %	Charges outside PEP: Annual %	Charges outside PEP: Other %	Minimum Invst. £	Charges inside PEP: Initial %	Charges inside PEP: Annual %	Charges inside PEP: Other %	Minimum Invst. £	Special offer: Discount %	Special offer: Period
■ Extra Income Fund														
Save & Prosper (0800 282101)	UK Equity Income	6.25	Yes	Yes	2	1.5	No	1,000	2	1.5	No	1,000	*	10/9/94-30/9/94
The annual charge is taken out of capital to boost income. About 55 per cent will be invested in bluechips, the rest in fixed-interest stocks.														
■ Managed Growth Fund														
M&G (071 626 4588)	Fund of Funds	1	Yes	Yes	5	1.5	No	£500	0	1.5	Yes**	£1,000	-	8/10/94-28/10/94
M&G's second fund of funds, this one concentrates on long-term growth. It is also the second M&G no-initial-charge Pep														

* 1 percentage point discount on investments of £6,000-£9,999; no initial charge on £10,000 and above

** Withdrawal charges on a sliding scale from 4.5 per cent in the first year down to 0 after the end of the fifth year

Withdrawal symptoms

M&G is about to launch a personal equity plan with no initial charge – the second since its successful Managed Income personal equity plan in January, *writes Scheherazade Daneshkhu*. Instead, M&G will make its money from its annual charge of 1.5 per cent and withdrawal fees.

These are intended to encourage long-term investment. You would pay 4.5 per cent for redeeming in the first year with a tapered structure of 4, 3, 2 and 1 per cent over the next four. There would be no exit charge after the fifth. The Pep is based on a new fund, Managed Growth, which will invest in other M&G funds aiming for capital growth.

Fidelity is aiming to go one better. From Monday, it will drop the initial charge on its Moneybuilder Pep, which does not have a withdrawal charge. Moneybuilder is also a fund of funds and is in the top five in the sector in the five, three and two years to August 1 (source: HSW; offer to bid, net income re-invested), although performance has slipped since then.

Investors will have to pay an annual management fee of up to 1.75 per cent, since Fidelity is charging 0.5 per cent in addition to the annual fees of the underlying funds.

Fidelity pioneered withdrawal fees in June 1992 but, along with Gartmore, dispensed with them earlier this year. But the Securities and Investments Board, the chief financial regulator, announced this week that unit trusts will be able to impose exit charges from November 1 (previously the trust had to be within a Pep to be able to do so), a move which the industry welcomes as giving it more flexibility.

Unit trusts will not be able to charge more, though: a combination of initial and exit fees must not exceed more than the present maximum of 7 per cent initial charge.

Spelling out the risks

Following publication in April of disclosure proposals for life assurance products, the Personal Investment Authority – the new regulator to protect the private investor – this week published proposals for unit trust disclosure.

As with life assurance disclosure, the basic format is a simple, four-page leaflet. This sets out the aims of the fund, the commitment asked from the investor, the risk factors involved and, most importantly, the effect of the charges on the value of the investment.

For unit trusts, providing clear details of a product's aims always have been an essential part of disclosure although, compared with any long-term, front-end loaded insurance product, the amount of commitment involved in a unit trust investment is minimal. Risk factors and the effect of charges are more difficult.

On risk, the PIA goes well beyond the hallowed formula about fluctuating values – "the price of units and the income from them can go down as well as up" – to include all the factors which might have an adverse effect on performance or are otherwise relevant to a decision to invest.

The most controversial proposals will undouhtedly be those on the effect of charges.

PIA formula for showing charges (on £1,000)

End of year	Effect of charges: No growth	Effect of charges: 7.5% growth
1	64	68
3	90	112
5	116	167
10	178	367

These have been rising steadily since they stopped being regulated in 1979. Before then, the initial charge and the annual charge added together could not exceed 13.25 percentage points over 20 years (say, 3.25 per cent initially and 0.5 per cent a year).

Today, the typical unit trust charges 6 per cent initially and 1.5 per cent a year. This adds up to 36 percentage points over 20 years – nearly three times what used to be permitted.

The unit trust movement is, rightly, proud of the fact that charges slways have been stated clearly. The problem has been that the *effect* of those charges is never set out. And while the numbers seem very small, they have a big impact.

After all, a 1.5 per cent charge will reduce the returns from a growth rate of 7.5 per cent by 20 per cent, and from a 5 per cent growth rate by 30 per cent. The PIA proposals shy away from explaining this.

The clearest way of showing the effect of charges is to give the value of an investment at a fixed growth rate, assuming no charges, and to compare it with the value after making allowance for charges. This could be done in a simple two-column table using a standard £1,000 investment, periods of 0, 1, 5, 10 and 25 years, and a sensible growth rate of perhaps 5 per cent.

The proposals reject the idea of showing these two growing values side by side. Instead, they set out a table of charges (see column two) extracted from a £1,000 investment over 1, 3, 5 and 10 years assuming no growth, and a similar table showing growth at the optimistic rate of 7.5 per cent (or 9 per cent for personal equity plans).

Dangling the effect of charges in this way begs the question: effect on what? And the useful addition of showing the effect of any spread with returns at 0 years is rejected on the ground that very few people ever sell their investment on the day they buy it.

True. But few people sell their new car as they drive out of the showroom – yet no one thinks it odd to show its immediate depreciation in that way.

Tim Miller

■ *Tim Miller is chairman of Portfolio Fund Management*

Charges to watch

*Personal pensions and you: **Debbie Harrison** reports*

When you take out a personal pension, it is tempting to assume that if the provider is a household name and its performance record is up to scratch, you are on to a winner. But this is simply not true.

Performance, arguably, is the most important criterion but the provider's charges come a close second. Where charges are high, the performance must consistently be outstanding to compensate.

Yet, the latest survey from *Money Management* magazine* reveals just how many second-rate products are available. Hearts of Oak friendly society deducts just under 40 per cent of your premiums in charges while its performance is unexceptional, to say the least. By comparison, one of the lowest chargers, Abbey Life, deducts about 14 per cent.

Other high chargers identified in the survey include Royal London, Eurolife, British Life Office, Lifetime, Refuge, Acuma, Colonial Mutual, Hambro Guardian, Crown Life, Gartmore, Providence Capitol and Windsor Life.

Analysis of charges is particularly important when, as at present, there is a marked lack of consistency in performance league tables. In the survey, several household names failed to match up to expectation.

Standard Life's with-profits plan is one of the worst performers over 10 years as is NPI's, which only just avoided the bottom five category. National Mutual's overall performance, one of the best in *Money Management's* March 1994 survey, took a nose-dive in the latest tables.

Lowest and highest chargers

Lowest five	£
Abbey Life	34,830
Equitable Life	34,781
Rothschild AM	34,444
NFU Mutual	34,299
Guardian Ass	34,285
Highest five	
Hearts of Oak	28,772
Refuge	29,490
Lifetime	29,565
Eurolife	29,837
Royal London	30,487

The table shows what your fund would be worth after charges if you invest £200 a month for 10 years in a unit-linked plan, assuming a growth rate of 9 per cent. Source: Money Management

Top and bottom performers

Top five	£
Sun Life	57,297
Royal London	56,131
Co-Operative	54,739
Scottish Mutual	54,210
Scottish Eq	53,714
Bottom five	
Guardian Ass	39,014
London Life	40,797
Standard Life	41,214
Royal Life	41,288
Prudential	42,279

The tables shows the amount paid out after charges if you invested £200 per month for 10 years in a with-profits plan. Source: Money Management

But while high charges can undermine a good performance elsewhere, charges alone do not guarantee good value. Several of the lowest charging offices also achieved notably poor returns. Guardian Assurance and NPI fall into this category.

Personal pensions have attracted a lot of criticism since their launch in July 1988. Nevertheless, more than 5m have been sold to the self-employed and to employees who are not in a company scheme.

Although there is nothing wrong with the concept of personal pensions, the high commissions and charges associated with them mean they have been mis-sold widely to employees who would have been better off in the state earnings-related scheme (Serps) or their company plan.

Despite the adverse publicity, however, there are still more than 100 financial institutions selling these products. Surveys such as *Money Management's* indicate that over half are not competitive.

Clearly, it is vital to shop around to get the best value for money (see below). Until January 1996 this will not be easy because, at present, providers do not have to tell you what their real charges are. Unless your adviser consults the latest surveys and has a comprehensive database on charges and performance, the advice will be worthless

It will continue to be worthless if, when the new rules come into force and providers must tell you their true charges, these are not compared with those of competitors.

Yet, according to the Association of British Insurers, the vast majority of regular-premium personal pension plans continue to be sold by direct salesmen or companies that agree to sell only one provider's products and do not have to tell you that you can do better elsewhere.

**Money Management*, FT Business Magazines, Greystoke Place, Fetter Lane, London EC4A 1ND (tel: 071-405 6969).

Points to consider before you decide

Before taking out a personal pension you should take advice, preferably from a fee-based independent adviser who will not be influenced by the amount of commission he can earn, *writes Debbie Harrison*. And you should consider these points:

■ Will the provider remain strong financially over the long term – or does the organisation look a potential target for a takeover bid or a merger?

■ Is the performance consistently good over the long term?

■ Is the investment team that achieved this performance still in place?

■ How much of my premiums will disappear in charges?

■ Does the adviser have a good software system to check providers' real charges?

■ Are the contract conditions flexible? Can I increase, decrease or stop payments without penalty? Can I retire early/late without penalty?

■ Will the adviser ensure that all commission payments are stripped out of the plan if I pay on a fee basis? (If you pay on a commission basis, then opt for a series of one-off or "single" premiums to avoid the high up-front charges associated with long-term, regular-premium plans).

Lenders rush to follow Halifax

Scheherazade Daneshkhu on mortgage rates

Halifax decided on its new standard mortgage rate this week, emboldening a host of other building societies to do the same. It has passed on almost the full half percentage point rise in base rates by increasing its standard variable rate to 8.1 per cent from 7.64. This applies already to new borrowers and for existing borrowers from October 1.

Other building societies which have raised their standard variables rates to 8.1 per cent include Alliance & Leicester, Bradford & Bingley, Cheltenham & Gloucester and Chelsea. Barclays is one of the few banks to have announced its new rate, also of 8.1 per cent, with effect from October 1 for new and existing borrowers.

Another batch of lenders are *clustered around* 8.14 per cent. These include Bristol & West, Britannia, Leeds, Nationwide and Northern Rock. Abbey National and National & Provincial are on 8.09 per cent, while TSB and Bank of Ireland are at the lower end of the market with 8.05.

The TSB rate represents a rise of 0.6 of a percentage point – higher than the base rate increase – and comes into effect for new and existing borrowers from October 20. Woolwich is the largest society yet to announce its new rate and most of the banks also are undecided.

■ Discounted rates

You can avoid the higher rates by taking advantage of discounted rates still available from a large number of lenders including Abbey National, Alliance & Leicester, Bristol & West, Cheltenham & Gloucester, National & Provincial and Woolwich. These offer a percentage reduction on the variable rate over various periods and can represent substantial savings for new borrowers.

Cheltenham & Gloucester *offers a* three percentage point discount for 12 months to those with a deposit of at least 20 per cent, or one of 2 per cent to those borrowing up to 95 per cent of the value of their home.

The three percentage point discount *amounts to a saving* at present of £110 a month on a £50,000 interest-only loan, and of £235 a month on £100,000. These amount respectively to £1,320 and £2,820 over the year.

Lenders, however, are using discounted rates to increase their market share rather than provide a better service to their customers. This is because they are available only to new borrowers (although some lenders, such as Halifax, do not make them available for re-mortgages at all).

This means that existing borrowers are being left out. "It *has caused us* the occasional slight headache, since some of our borrowers are raising their eyebrows over this," says Abbey National. "But we do not think it would be right to let our borrowers switch to lower rates just because it happens *to* be better."

What can existing borrowers do? Many lenders are offering to cover some of the re-mortgage costs of those tempted to switch lenders. Abbey National itself is offering to pay up to £320 towards the valuation and £250 towards legal fees.

It is almost certain to be worth taking advantage of such offers in order to get the reduced variable rate, although it is important to calculate all the costs and balance these against the savings to see if it is worth switching.

But one *FT* reader, reluctant to leave his present lender, claims he could move to another offering a discounted rate and then switch back to his original lender as a "new" borrower, entitling him to get its discounted rate while incurring minimal costs.

Before going through this rigmarole, though, it is worth talking to your lender – particularly if you are a highly-valued customer – to see if you can get the discounted rate. Cheltenham & Gloucester says the only way existing customers could secure the discounted rate is by re-mortgaging with the society.

Abbey National is reluctant to endorse a similarly absurd, but at least flexible, position. It hopes that its customers will realise there is more to a mortgage than its interest rate, and that having a long relationship with a lender can reap benefits – such as further loans.

National Savings quick to launch new issues

National Savings has launched new *issues of its fixed-rate* products a week after the government put up base rates by half a percentage point, *writes Scheherazade Daneshkhu*. Variable-rate products are unaffected.

■ Savings certificates: The new 42nd issue pays a tax-free 5.85 per cent a year compound when held for five years. The return is equivalent to an attractive 9.75 per cent gross for a 40 per cent taxpayer (7.8 per cent gross for a lower-rate taxpayer).

■ Index-linked certificates: The 8th issue pays the same as the one it has just replaced – a return of 3 per cent a year compound in addition to inflation when held for five years. The new issue has been released because purchases above the minimum no longer have to be made in multiples of £25 – they can now be in any amount. The same applies to the savings certificates.

How attractive you find index-linked certificates depends on your view of inflation over the next five years.

■ Yearly plan: The tax-free five-year return is increased to 5.85 per cent a year compound. The plan is designed to help those who want to buy a savings certificate through regular instalments. Monthly payments of between £20 and £400 are made by standing order for 12 months to buy a four-year Yearly Plan certificate.

■ Capital bond: This taxable fixed-rate product is aimed at non-taxpayers, since the return is paid gross. The new series I pays 7.75 per cent a year compound if held for five years. But given that the returns are taxable and the money is tied up for five years, many people may find even the new rate relatively unattractive.

■ Pensioners guaranteed income bond: The new issue pays 7.5 per cent a year gross, fixed for five years and paid monthly on a minimum of £500 to those aged 65 and over. Interest is taxable but is paid gross. There are few products paying monthly income on such a small deposit but look first at fixed-rate building society rivals.

■ Children's bonus bond: Issue G now pays 7.85 per cent a year when held for five years on £25 up to a maximum of £1,000. The bond is a useful way for parents to give to their children as it is tax-free.

■ First Option bond: Aimed at taxpayers, returns on this bond, which are fixed for one year, are paid net of basic-rate tax. The new issue pays 6.4 per cent gross, equivalent to 4.8 per cent net, on £1,000-£19,999. The rate goes up to 6.8 per cent gross (5.1 per cent net) on £20,000 up to a maximum of £250,000. The rates are competitive but not overly so. Look first at building society fixed-rate products.

Annuities

Rates reach year's best level

Annuity rates are at their highest since the start of the year, having risen by an average of 16.5 per cent. This week, some life companies increased their rates against a background of rises in long-term gilt yields.

These were 8.9 per cent on September 12 – the day the Chancellor, Kenneth Clarke, announced a half percentage point increase in base rates – and had risen to 9.26 per cent by September 20.

As the table shows, Royal Life is looking very competitive, having raised all its annuity rates on September 20. Sun Life of Canada and Canada Life have also increased theirs.

Since the start of September, annuity levels at Canada Life have increased by around 2 per cent, at Royal Life by around 4.5 per cent, and at Sun Life by around 2.4 per cent. These rates cover a male aged 60 on a particular set of benefits.

The uncertainty of how long-term interest rates will perform and this week's fall in bonds are, however, beginning to affect the annuity market.

And while annuity rates are quite high at the moment, most actuaries are expecting them to fall slightly as the year draws to a close.

Thus, it is imperative for you to shop around for the annuity best suited to your needs.

Peter Quinton,
The Annuity Bureau

LATEST ANNUITY RATES

Compulsory purchase level annuity

Male age 65	Annuity	Female age 50	Annuity
Royal Life	£10,358.55	Royal Life	£9,445.24
Sun Life of Canada	£10,210.73	Prudential	£9,161.64
Prudential	£10,123.56	Sun Life of Canada	£9,155.55
Male age 60	**Annuity**	**Female age 60**	**Annuity**
Royal Life	£11,211.59	Royal Life	£10,417.17
Sun Life of Canada	£11,079.25	Sun Life of Canada	£10,100.94
Prudential	£10,929.48	Prudential	£10,058.76
Male age 70	**Annuity**	**Female age 70**	**Annuity**
RNPFN	£14,492.76	Royal Life	£12,683.00
Royal Life	£14,389.44	RNPFN	£12,512.52
Canada Life	£14,180.04	Canada Life	£12,295.44

Joint Life - 100% spouse's benefit

Male 60/Female 57	Annuity	Male 65/Female 63	Annuity
Royal Life	£9,529.18	Royal Life	£10,119.83
Sun Life of Canada	£9,253.01	Sun Life of Canada	£9,815.37
Prudential	£9,234.12	Prudential	£9,777.72

All payments are monthly in advance. Rates are as at September 20 1994. Figures assume a purchase price of £100,000 and are shown gross. RNPFN annuities are available only to those in the nursing and allied professions. Figures supplied by the Annuity Bureau Limited, Enterprise House, 59/65 Upper Ground, London, SE1 9PQ. Tel: 071 620 4090

Savers must wait

As the dust settles after the base rate rise, long-term fixed-rate products continue to flourish: Cheshire building society, for instance, has introduced a bond paying 9 per cent until December 12 1999. Escalator bond rates also continue to rise.

But savers hoping their income from everyday accounts will be improved may be disappointed. Of the high street banks, only Barclays has moved to increase rates to savers – on average, by the full 0.5 per cent.

When rates fell in February and banks were able to pay savers less, the rates were changed much more quickly. But it is usual for bank savings rates to rise or fall in line with the base rate change, and rises can be expected eventually.

This is not the case with building societies. With the rise in base rates, mortgage rate increases have been announced relatively quickly. The average rise at present is 0.4 per cent, immediate for new loans and from the beginning of October for existing borrowers.

The few savings rates that have been announced are up by an average of only 0.2 per cent and, again, these will be paid from the beginning of October.

Most societies are waiting for the bigger players to make a move on savings rates and will then follow. In any case, delaying an increase in savings rates means they will be collecting more interest from mortgages than they are paying out on savings.

If, however, building societies do delay rises in savings rates and then increase their margins, returns from National Savings will start looking more competitive.

Christine Bayliss,
Moneyfacts

HIGHEST RATES FOR YOUR MONEY

	Account	Telephone	Notice/ term	Minimum deposit	Rate %	Int. paid
INSTANT ACCESS A/cs						
Portman BS	Instant Access	0202 292444	Instant	£500	5.00%	Yly
Manchester BS	Money-by-Mail	061 834 9465	Postal	£1,000	5.80%	Yly
Skipton BS	3 High Street	0756 700511	Instant	£2,000	6.10%	Yly
Manchester BS	Money-by-Mail	061 834 9465	Postal	£25,000	6.40%	Yly
NOTICE A/cs and BONDS						
Bradford & Bingley	Direct Notice	0345 248248	30Day(P)	£1,000	6.00%	Yly
Northern Rock BS	Postal 60	0500 505000	60Day(P)	£10,000	6.55%	Yly
Universal BS	1 Yr. High Option	091 232 0973	90 Day	£10,000	6.80%	Yly
Cheshire BS	Millenium Bond	0800 243278	31.12.99	£5,000	6.00%F	Yly
MONTHLY INTEREST						
Britannia BS	Capital Trust	0538 391741	Postal	£2,000	5.37%	Mly
Bradford & Bingley BS	Direct Notice	0345 248248	30Day(P)	£10,000	6.30%	Mly
Universal BS	1 yr. High Option	091 232 0973	90 Day	£1,000	5.95%	Mly
Halifax BS	Guaranteed Reserve	0422 333333	3 Year	£10,000	8.46%F	Mly
TESSAs (Tax Free)						
Market Harborough BS		0858 463244	5 Year	£9,000	7.60%	Yly
Hinckley & Rugby BS		0455 251234	5 Year	£3,000A	7.35%	Yly
Holmesdale BS		0737 245716	5 Year	£1	7.15%	Yly
Nottingham BS		0602 481444	5 Year	£1	7.10%	Yly
HIGH INTEREST CHEQUE A/cs (Gross)						
Woolwich BS	Current	0800 400900	Instant	£500	3.50%	Yly
Halifax BS	Asset Reserve	0422 335333	Instant	£5,000	4.50%	Qly
Chelsea BS	Classic Postal	0800 717515	Instant	£2,500	5.75%	Yly
				£25,000	6.00%	Yly
OFFSHORE ACCOUNTS (Gross)						
Woolwich Guernsey Ltd	International	0481 715735	Instant	£500	5.75%	Yly
Portman Channel Islands	Gold Plus	0481 822747	90 Day	£20,000	6.65%	Yly
Yorkshire Guernsey Ltd	O'shore Key E	0481 710150	190 Day	£50,000	7.00%	Yly
Halifax BS	Fixed Rate	0534 59840	5 Year	£10,000	8.60%	Yly
GUARANTEED INCOME BONDS (Net)						
Liberty Life		081 440 8210	1 Year	£25,000	5.60%F	Yly
General Portfolio		0279 462839	2 Year	£20,000	6.30%F	Yly
Premium Life		0444 458721	3 Year	£1,000	6.90%F	Yly
General Portfolio		0279 462839	4 Year	£10,000	7.30%F	Yly
General Portfolio		0279 462839	5 Year	£50,000	7.70%F	Yly
NATIONAL SAVINGS A/Cs & BONDS (Gross)						
	Investment A/C		1 Month	£20	5.25%G	Yly
	Income Bonds		3 Month	£2,000	6.50%H	Mly
	Capital Bonds I		5 Year	£100	7.75%F	OM
	First Option Bond		12 Month	£1,000	6.40%FI	Yly
	Pensioners GIB 2		5 Year	£500	7.50%F	Mly
NAT SAVINGS CERTIFICATES (Tax Free)						
	41st Issue		5 Year	£100	6.85%F	OM
	7th Index Linked		5 Year	£100	3.00%F +Infln	OM
	Childrens Bond G		5 Year	£25	7.85%F	OM

This table covers major banks and Building Societies only. All rates (except those *under heading Guaranteed Income* Bonds) are shown Gross. F = Fixed Rate (All other rates are variable) OM = Interest paid on maturity. N= Net Rate. P= By Post only. A = Feeder account also required. B= 7 day loss of interest on all withdrawals. G= 5.75 per cent on £500 and above; 6 per cent on £25,000 and above. H= 6.75 per cent on £25,000 and above. I= 6.60 per cent on £20,000 and above.Source: MONEYFACTS, The Monthly Guide to Investment and Mortgage Rates, Laundry Loke, North Walsham, Norfolk, NR28 0BD. Readers can obtain an introductory copy by phoning 0692 500665. Figures compiled on: 22 September 1994

PERSPECTIVES

Minding Your Own Business

Trains on the school timetable

***Paul Cheeseright** visits a station and travel agency run as a going concern by Shropshire schoolgirls*

Moreton Hall Travel defies the canons of business ortbodoxy. No business plan, just an idea or two about expansion. No stable management, just executives passing through. But, as its first financial year comes to an end, it shows a profit.

At one level, Moreton Hall Travel is an educational plaything. At another, it is a serious concern: serious enough to have handled £262,000 during the year to July.

It is in fact a business run by students of Moreton Hall, a £10,000-a-year girls school near Oswestry, Shropshire. The students, under the eye of David Lloyd, a geograpby teacher, operate primarily as agents for British Rail but are starting to diversify tbe business into other forms of travel.

"Everything has been going slowly, one step at a time, so that if we got into financial difficulties, we could ease out of it," said Lloyd.

The first step was taken eight years ago. Tbe school booked rail tickets for the pupils, the youngsters paid and British Rail sent tbe tickets back, plus 9 per cent commission. The funds accumulated to the extent that tbe school had enough money to construct a little travel agency in the geography room.

Tbat provided an opportunity for work experience in an undemanding environment. But a year ago, the school made a leap into tbe wider commercial world. It kept the geography room travel desk working, but took over the booking office at nearby Gobowen station.

Gobowen, on the Shrewsbury-Chester line, is the railhead for Oswestry. The buildings at the station are owned and have been refurbished by English Partnersbips, the government regeneration agency. The school provided £1,000 to help equip tbe booking office.

"We lease the booking office. We have no jurisdiction over the platforms, but the Women's Institute provides the flower tubs. We haven't taken over the station as such," Lloyd explained.

With tbe booking office Moreton Hall Travel found itself with responsibilities. It needs, for a start, to find £3,500 to rent the building. It pays £170 a week to the booking office manageress, Ceinwen, Lloyd's daughter who is spending a year at Gobowen before going to university. There are the water, electricity, telephone and rates bills.

The responsibilities shift from year to year. Girls from the upper sixth direct. Most of the work is done by the lower sixth, which trains the upper fifth. The inner circle of current directors is Sabrina Hartshorn, Deborah Pratley, Emma Sharp and Emma Sherrard.

"We're being shadowed by Mr Lloyd but we have a large say in wbat goes on. We can take the initiative. The decisions are taken as a team," said Hartshorn.

This team is of an expansionist frame of mind. "Tbe first thing is to get into a larger building so we can get more people working here," Sharp said. "Witb more room we could attract larger support," added Hartshorn.

The immediate snag is the railway timetable. "At tha moment with British Rail in such disarray, you're not sure where you stand," said Pratley. "Future revenue depends on the timetable. It's not too good so it loses us customers," said Sharp.

The railway agency business accounts for 90 per cent of Moreton Hall Travel's revenue. The only British Rail services wbicb Moreton Hall Travel cannot sell are season tickets and warrants for the armed forces. But the railway traffic provides a public which may buy other travel needs and forms one part of a firm customer base.

Another part of that base is the mass of the pupils' parents and parents' friends. With such a base, hopes of diversification, nursed by the directors, look encouraging.

An obvious step is expansion into forms of travel other than tbe railways. Moreton Hall Travel takes air bookings but places them througb Brian Bass, the Shrewsbury travel agent. The difficulty is that the commission is just 2 per cent.

There are plans to use Gobowen station as a tourist information point for Oswestry Borough Council, which would generate income from the provision of the service, and to establish an extension of Oswestry's railway and bicycle museum. Tbis is wbere tbe need for extra space comes in.

Leasing a second building at Gobowen, which Lloyd thinks would add 50 per cent to the rent bill, would provide the scope for the additional enterprises and provide a place where pupils could study for vocational qualifications in leisure and tourism, while gaining their work experience on tbe spot. "We need to start creating some employment ourselves," said Sherrard.

All of this is going to make Moreton Hall Travel a more complicated enterprise. The business, which has no capital structure, bas never had a loan. In this finaucial year It will make a surplus of around £5,000, and will have to abandon informality.

The school is appointing an enterprise manager who will take formal control of Moreton Hall Travel and run the other little businesses associated with a boarding school, such as the tuck shop. A holding company will be set up. Moreton Hall Travel will have to come to terms witb VAT and tbe requirements of Companies House.

Tbat will pose interesting questions for tbe schoolgirl directors. How will they pay the school for Lloyd's time, how will the school pay the company for the use of its premises to study for the leisure and tourism NVQ? Expansion carries with it tbe loss of innocence.

■ *Moreton Holl Trovel, The Gatehouse, Gobowen Station, Oswestry. Tel ond fax: 0691-679143.*

Directors from the Upper Sixth: Deborah Pratley, Sabrina Hartshorn and Emma Sherrard of Moreton Hall School at Gobowen Station Tony Andrews

Germany out of step

Continued from Page I

Germany's economic problems reflect insufficient innovation and dynamism, be says. "Not enough is coming out of our researcb centres. For an average young German business studies graduate, the idea of rolling up his sleeves, starting a business with his wife and possibly working himself to death is much too abstruse even to be considered."

Ludolf von Wartenberg, general manager of the Federation of German Industry (BDI), is less pessimistic – but admits that German industry's drive to become more competitive is taking its toll on employment.

"In two or three years' time, German industry will have recovered brilliantly. The share of manufacturing will be lower, but we will be fully competitive. We will preserve the beart of our economic system. But the concept of 'Made in Germany' will be replaced by 'Designed in Germany'."

Back in 1990, Europe's leading statesmen were so anxious about renascent Germany's economic strength tbat tbey agreed in Maastricht tbat European economic and monetary union should begin as early as 1997 or 1999. As France's former president, Valery Giscard d'Estaing put it earlier this year: "We need an organised Europe to escape German domination."

In spite of the domestic unpopularity of the plan, Kohl agreed to monetary union. He wanted to show tbat united Germany would remain a firm supporter of western European integration. Now, bowever, scepticism about a common currency in the business community and among ordinary Germans, makes that timetable highly questionble.

Karl Lamers, a Christian Democrat Bundestag deputy and foreign pollcy specialist, is one of those who suggested a controversial plan earlier this month that a common currency should apply at first to a "core group" excluding Italy. Even an enthusiast for monetary union like Lamers says that prospects for a single currency will recede unless Europe's leaders make progress towards the idea of political union and a "federal" Europe when they meet to review the Maastricbt treaty in 1996. However, polls show that a large majority of Germans agree with Euro-sceptics in Britain and elsewhere tbat they do not want a "United States of Europe".

Holger Schmieding, an economist from Kiel university, now senior strategist at Merrill Lyncb's Frankfurt office, believes the original rationale for monetary union is now outdated. Tbere is no longer a need, he says to "bind" Germany to western Europe to stop it turning eastwards. "The idea of Europe being divided into east and west is outdated. Poland and the Czech Republic will soon become normal countries."

Germany might, indeed, suggest that monetary union should be postponed to allow as many countries as possible – including those from central and eastern Europe – eventually to join a single currency area. Under such an outcome, in view of Germany's large and growing economic influence over the former communist countries, the single European currency would become little more than an enlarged D-Mark.

Would tbe outcome of "D-Mark über alles" confirm tbe worst nightmares of Thatcher and Giscard d'Estaing? Or could a strong and stable D-Mark, extended to other countries under the guiding hand of the German Bundesbank, prove tbe most solid basis for expanding Europe's prosperity? German financial and economic power will unquestionably grow rapidly during the next two decades. Germany's task, in concert with its neighbours, will be to ensure that, for the first time in history, the power of united Germany is deployed benignly rather than for ill – and that the nightmares never return.

■ *David Marsh's book Germany and Europe: The Crisis of Unity is published by William Heinemann on September 26. It appears in German os Der zaudernde Riese: Deutschland in Europa (C. Bertelsmann).*

Wife's gift of money

Q&A

BRIEFCASE

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All inquiries will be answered by post as soon as possible.

My wife and I bave been resident in the UK for close to six years and have been deemed ordinary residents for tax purposes. But, as nationals of two different Europcao countries, we believe we are still considered as domiciled in our countries of origin.

My father-in-law, also a foreign national, intends to give her some money. Is she likely to have to pay any tax on it (the gift is foreign currency, to be converted into sterliog)?

Does it make any difference, in tax terms, if she transfers the whole amount straight to her UK bank acconnt, or deposits it in a foreign acconnt (in the currency of her choice, including sterling) and then transfers money to the UK?

■ If your father-in-law makes the gift in sterling, the answer to your first question is no. The answer to the second question is no, except that the interest on the deposit account would be assessable on the remittance basis if the account were outside the UK.

If the gift is made in foreign currency, there could be a capital gains tax liability if there is any favourable movement in the exchange rate between the day of the gift and the conversion into sterling.

If the foreign currency were deposited in a bank outside the UK, the exchange-rate gains would be assessable on the remittance basis, but any exchange-rate losses would be disallowed. The gains would be eligible for indexation relief, regardless of wbere the currency was deposited.

As you are both domiciled overseas, you ought to have been making tax returns on the special form (11K) designed for people with overseas domicile. If you have not, remind your tax office to send you this form in future.

No allowance for inflation

Is any allowance made for inflation in tbe differential between the immediate interest rate and the redemption note in government stock? I ask because I have a quantity of Treasury stock 13.5 per cent 2004-08. I bought it to yield an immediate 10.5 per cent and a redemption yield of 8.7 per cent.

If I hold it nntil maturity, I am being paid 10.5 per cent in 1994 money. If no allowance is made for inflation, tben my capital loss in 2008 will bring my overall yield to 8.7 per cent and will be in 2008 money which, even at today's low inflation rates, will be wortb some 35 to 40 per cent less.

■ No allowance is made for inflation in the differential between the immediate interest rate and the redemption rate in government stock. But, as you will know, dealings in government stock are free of capital gains tax.

(Answer by Murray Johnstone Personal Asset Management).

A transfer too late

I bought 2,000 shares in an investment trust and received 400 free warrants. I had intended to place 1,500 shares in my general Pep within the prescribed 42 days, and I understood that 300 warrants could also be put in. But my broker told me this was not possible because trading in the warrants had begun already.

■ If shares resulting from an investment trust launch are offered as a "unit" with warrants attached, then bolh the shares and the warrants may be transferred into a general Pep until the day before the warrants are traded separately.

On or after that day, and up to and including the 42nd day since the date of allotment of the unit, only the shares may be transferred. Warrants may not be bought directly from the "market" for a general or single company Pep. *(Murray Johnstone).*

TRAVEL: ON SAFARI

*Come on safari with me, says **Michael J. Woods**, who likes to go in search of the simple bear necessities*

The black bear waddled across the forest road. He was a rotund bear, ready for his winter sleep. Under his thick, dark coat, rolls of fat shimmied as he walked.

He moved unhurriedly through the trees for he was a smug, snug bear. Before long he would be dropping off in his den, leaving the woods, still aflame with their fading red and golden foliage, and waking to bursting buds and bird song.

He was my very first bear after a quest which I had pursued for years. And he had turned up in a totally unexpected location, just three miles from a large shopping complex in New Hampshire.

My search for bears had taken me to Yellowstone and Yosemite national parks in the US, to the Canadian Arctic, to Spitsbergen and to Italy's Abbruzzo national park. In some of these places bears were rare, in others they merely avoided me, but I was never disappointed: other wildlife more than made up for their absence.

A British Airways Holidays fly-drive trip took me to both Yellowstone and to Yosemite. In Yellowstone I had excellent views of large buffalo herds, of elk, white-tailed deer, moose, coyote and a whole regiment of squirrels and chipmunks, as well as a magnificent range of thermal effects, including Old Faithful.

Yosemite was equally exciting. Although the wildlife was not as prevalent, it was very tolerant of people.

Furthermore, Yosemite has beautiful landscapes, a wonderful variety of massive granite domes and more record-breaking waterfalls in a small area than anywhere in the world.

I came close to seeing polar bears in the Arctic when, travelling over the sea ice around Baffin Island with several Eskimo, we came across the bloody remains of a seal and great flat-footed tracks padding away through the snow. Again, the area had much to offer, from nesting guillemots and restless old squaw ducks to gyr falcons and even, lying unblinking among the lichens of the newly-exposed spring tundra, a human skull.

Spitsbergen, or Svalbad, is a Norwegian archipelago which lies well within the Arctic circle to the north of Norway. In the winter it is ice-locked, so I went there in the summer with NSR Travel to join a ship called *Polar Star* and cruise around the islands. We watched reindeer among the ruins of old polar explorers' camps, admired walruses on ice floes and enjoyed dolphins playing under our bows.

Italiatour took me to Abbruzzo national park where a few European brown bears still survive just 100 miles from Rome. Although I searched for almost a week, they eluded me. But walking in the mountains I had my best-ever views of chamois and enjoyed the masses of spring flowers of this surprisingly empty area.

Koalas, of course, are not strictly bears, so perhaps that is why I found them easy to see, especially on Kangaroo Island, off southern Australia, a paradise for those keen on wildlife. This is the third biggest Australian island, and has a large breeding colony of sea lions; visitors to their beach can get within yards of mothers with pups, as well as bulls.

All along the coast are nesting sea eagles and ospreys, while a range of waterbirds lives in the billabongs. Craig Wickham, who runs safaris on the island, also takes clients looking for echidnas and possums at night.

New Zealand has no bears. Indeed, it had only two mammals of its own. Then man introduced some more which promptly set about destroying the native lizards and ground-nesting birds. The Department of Conservation, anxious to save the country's native

Continued on opposite page

Late for a date: a white-backed vulture joins friends for lunch — Michael J. Woods

African walkabout

*Travelling on foot is just one of many ways of seeing the bush, says **Michael J. Woods***

The deep rumble made by one elephant talking to another is a sound which, once heard, is impossible to forget. I had come across it before, sitting on a high bank above the River Ruaha in Tanzania and looking down on an extended family group of elephants at sunset.

Lit by the fiery orange of the last light of the day, they drank and browsed, played and greeted one another, totally relaxed and at peace. I had even had the privilege of feeling it during an elephant back safari in the Okavango Delta, for that rumble sends the whole body of the elephant quaking.

But the biggest surprise came during a walk in Zambia when the same rumble reached me unexpectedly from just the other side of a dense thicket. We left the termite mound we were inspecting and withdrew quietly and quickly, keeping the elephants upwind and leaving them to their own devices.

African safari companies are becoming increasingly bold and imaginative in the methods by which they encourage their clients to come close to wildlife and to appreciate their surroundings, rather than simply to concentrate on seeing and photographing the large or dangerous mammals. The use of open vehicles with a thin canopy and neither sides nor doors in southern Africa is a world away from the enclosed mini-buses employed in east Africa but an even more significant step forward, literally, is a walking safari.

At first, forsaking a vehicle in the bush feels about as crazy as abandoning a life raft in the open sea. But there is no doubt that walking is one of the most exciting ways of enjoying the bush.

You may not come away with the greatest photographs of larger animals, because they tend to be more wary of people on foot, but your appreciation of the smells, the space and simply the feel of the place will remain in the memory.

Zambia has long been considered Africa's walking mecca, for this activity has been a major feature of safaris here for many years (try Twickers World). But the walking opportunities in other countries are growing rapidly as governments alter park rules to permit them and as safari guides gear themselves up to this new discipline.

Richard Bonham (booked through Worldwide Journeys and Expeditions) guides walks in the Selous Game Reserve in southern Tanzania and it is possible that this opportunity will be extended to other parks in that country especially now that a regular air charter has been established – contact Wildlife Safari. Good walking is also available in Botswana, Zimbabwe and South Africa. Safari Consultants and Cazenove & Loyd Safaris are among others who offer this opportunity.

Alternatives to walking, which avoid motors, are also growing in popularity. Horse-riding safaris, mainly for those who ride regularly, are available in Botswana, Kenya and South Africa. (Cazenove & Loyd Safaris). You do not have to be a regular elephant rider to enjoy an elephant back safari in Botswana's Okavango Delta, though, and this experience, offered by Ker and Downey, enables visitors to experience the joys of travelling through the Delta aboard the *mammalian* equivalent of an all-terrain bus.

There are new opportunities to watch gorillas in Uganda which has seen a regeneration of its tourist industry. Not only does it have gorillas, together with a range of other primates, but some of the most picturesque national parks in Africa and good walking in the Ruwenzori Mountains. Try Abercrombie and Kent, Twickers World and African Explorations.

And then there are the opportunities available in the new South Africa. By the increasingly exacting standards of Western Europe, some safaris on offer here are quite dated. If you are looking for a single night in an air-conditioned safari camp, with game drives evening and morning during which you might experience, as I did, radio-linked drivers relentlessly pursuing the Big Five in order to provide you with a certificate and a free T-shirt, then Mala Mala is for you (Rattray Reserves).

If, on the other hand, you are looking for rather more from your African experience – starlit nights in the bush, peaceful and unobtrusive game drives – and a good guide then you are probably looking for a tailor-made itinerary offered by many of the smaller operators such as African Explorations, Art of Travel and Safari Consultants.

But what South Africa does offer, in greater measure than probably any other African country, is the chance of independent travel. With its excellent infra-structure, accommodation and services and with its amazingly rich variety of landscapes and wildlife, it is well worth investigating. Namibia, just over the border, is also an exciting destination for the independent traveller. Try Sunvil for a fly-drive and assistance with an itinerary.

For the more rugged, Safari Drive will provide a fully equipped Land Rover, complete with all camping equipment including a tent pitched on the roofrack, to enable you to travel through Botswana and Zimbabwe on roads suitable only for four-wheel drive vehicles.

If independent travel is not for you, but you are looking for something special, there is a growing list of safari operators, such as Abercrombie & Kent and Safari Consultants, who have wildlife tours led by specialists from Britain and Africa.

Other safaris include those concentrating on photography or ornithology (try Hartley's Safaris) while Art of Travel provides the chance to take a painting and drawing and even a wildlife writing safari.

■ **Information:**
Abercrombie & Kent 071-730 9600.
African Explorations 0993-822443.
Art of Travel 071-738 2038.
Cazenove & Loyd 071-376 3746.
Hartley's Safaris 071-584 5005.
Ker & Downey 071-629 2044.
Rattray Reserves 071-584 0004.
Safari Consultants 0787-228494.
Safari Drive 071-622 3891.
Sunvil 081-568 4499.
Twickers World 081-892 8164.
Wildlife Safari 0737-223903.
Worldwide Journeys and Expeditions 071-381 8638.

of life, from Yellowstone and Yosemite national parks in the US, to the Arctic, Italy and all of Africa

Continued from previous page

wildlife, has remnved introdnced mammals from the island of Tiritiri-Matangi in Hauraki Gulf maritime park.

Visitors can see projects for reafforestation and for the reintroduction of native birds such as kiwis and takahes, as well as a number of other endangered species. Similar proposals are in hand for other islands in this Park.

There are no bears in Antarctica, either, but if you want to see wildlife at close quarters in a wilderness of beauty on an unimaginable scale, then the Antarctic is hard to beat. A cruise ship like the *World Discoverer* will drop yon among bustling penguins in noisy, chaotic colonies bundreds of tbousands strong.

Yon can drift in dinghies past lounging crab-eater seals, menacing leopard seals and ill-tempered elephant seals, and watch whales under your very nose.

A notable bird of the Southern Ocean is the wandering albatross, one of the world's largest birds, with a wing-span of almost 12ft. Among the smallest are humming birds. Many are found in the Caribbean and 18 species can be seen at Trinidad's Asa Wright nature centre.

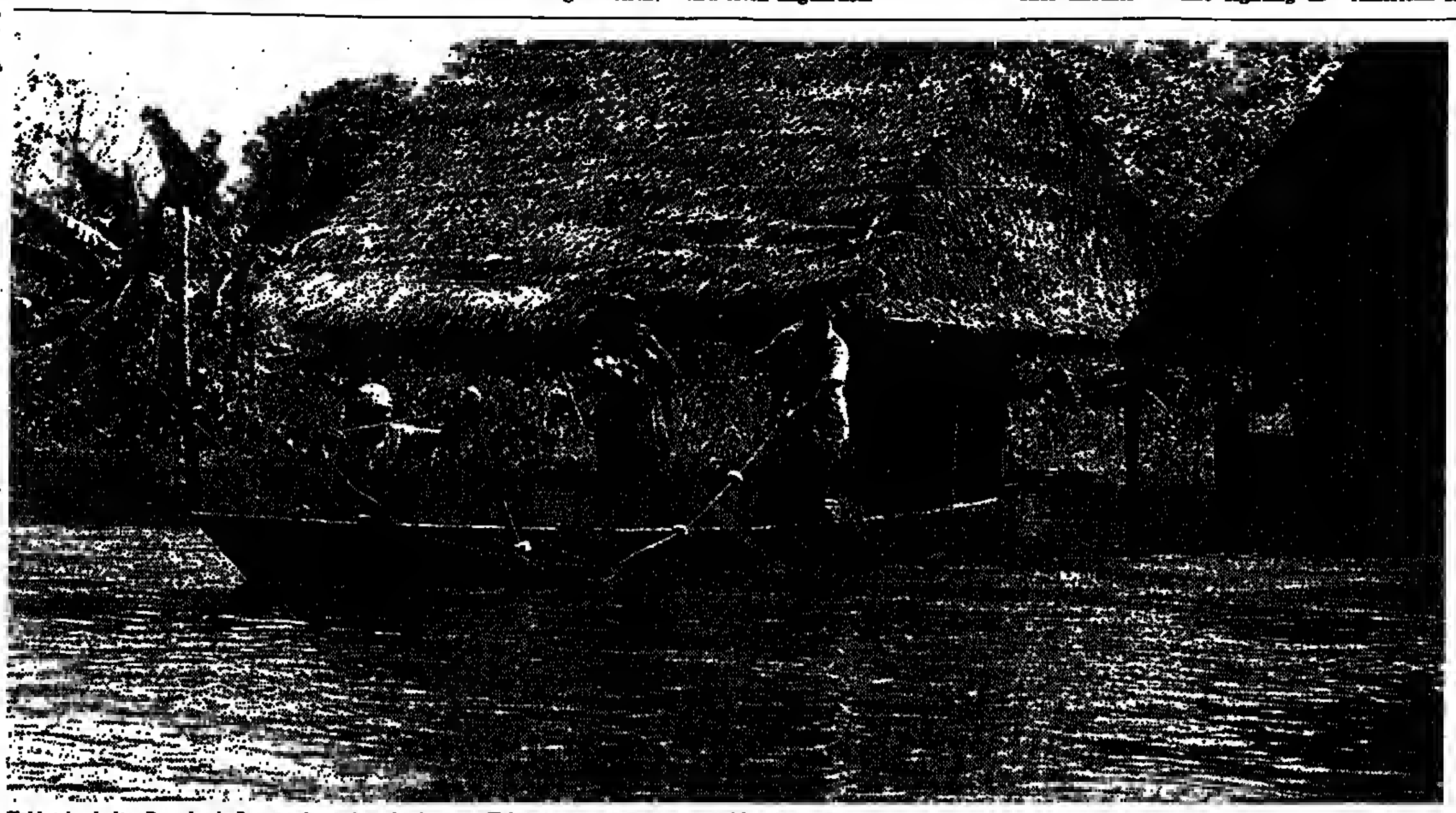
Althongh generally considered elusive, Britain's mammals, which no longer inclnde bears, can be surprisingly easy to see. During the autumn rut the three largest deer species – fallow, sika and red – are at their most striking. As they are preoccupied with securing mates, they are both dramatic to watch and often unguarded.

The Scottish highlands, Exmoor, the New Forest or any one of the deer parks througbout Britain should be fruitful places to visit.

For more information mammals, a useful booklet, *Where To Watch Mommals*, is pnhlished by tbe Mammal Society. There are numerous wildlife holidays available in Britain, and some of the best are run by universities such as Exeter, Nottingham and Bristol, and by the Field Studies Council.

None, however, inclndes bears. It will be a long time before I experience another wildlife sighting as exciting as my black bear in New Hampshire, US.

■ Information: Discover New England, Park Farm, Folkestone, Kent CT19 5DZ (0303-226606).
British Airways Holidays (0533-463311).
Eclipse Sound Ontfitting, Pond Inlet, NWT, Canada (819-899 8790).
NSR Travel, 21-24 Cockspur Street, London SW1Y 5DA (071-321 2048).
Italiatour, 204 Holland Park Avenne, Londnn W11 4XB (071-371 1114).
Craig Wickham, Wanderer's Rest, American River, Kangaroo Island, South Australia (0848-33140).
New Zealand Tonrism Board, New Zealand House, Haymarket, London SW1Y 4TQ (071-173 0360).
World Discoverer, Clipper, Snite 301, Albany House, 324-326 Regent Street, London W1R 5AA, (071-436 2931).
Trinidad, Tobago and Gnyana tour, World of Wildlife, Abercrombie and Kent, Sloane Square House, Holbein Place, London SW1W 8NS (071-730 9600).
Where to Watch Mammals, The Mammal Society, 15 Cloisters Business Centre, 8 Battersea Park Road, London SW8 4BG (071-498 4358).
Department of Continuing and Adult Ednecation, University of Exeter, Cotley Streatham Rise, Exeter EX4 4PE (0392-411902.)
Learn at Leisure, University of Nottingham, 14 Sbakespeare Street, Nottingham NG1 4FJ (0602-516526).
Department for Continuing Edncation, University of Bristol, 8-10 Berkeley Squarc, Clifton Bristol, BS8 1HH (0272-287172).
The Field Studies Councll, Preston Montford, Montford Bridge, Shrewsbury, Shropsbire SY4 1HW (0743-850674).



Fishing in circles: Peruvian Indians cast nets into the Amazon. Fish are so numerous every cast brings a catch

Michael J Woods

Afloat in the deep jungle

I was alone, paddling a small dug-out canoe through flooded rainforest. Tbe boat was borrowed, the paddle my own, traded with the Jagua Indians for valued T-shirts, and the forest was immense, writes **Michael J. Woods.**

The low afternoon sun penetrated the riverine trees, illuminating trunks whitened by lichens and the greens of thin palm fronds and huge leaved epiphytes. These, in turn, were reflected in the Amazon's motionless waters which, in spite of a patina of dust, leaves and twigs, formed a perfect reverse image.

A ringed kingfisher flew across the water, a large bird with chestnut belly, white collar and determined manner, while a crimson crested woodpecker, in black with a red cap, pecked delicately at a dead stump.

The Amazon near Iquitos in Peru, still 1,200 miles from the sea and normally five miles across, was flooded to almost twice its width. Banana fields were submerged, the houses, all on stilts, stood just above the flood, and water lapped deep into the forest.

From Iquitos, a small town of crumbling façades, rusty corrugated iron and an atmosphere redolent of Greene and Conrad, we motored downstream to the Explorama Camp in a long narrow boat thatched against sun and rain.

This was the first of three camps I visited, all designed in fundamentally the same simple and unobtrusive way with bedroom blocks linked by covered walkways to showers, toilets and communal areas festooned with hammocks.

There is no electricity, little plumbing and the limited privacy in tbe bedrooms, which are designed to encourage a flow of air. The locations are perfect, the food good and the beds comfortable and well-netted to prevent mosquitoes "singing a private song in your ear", as Julio Parano, our Peruvian Indian guide so aptly put it.

Visiting at a time of high water had its advantages, for though the jungle walks were curtailed, we made up for that with river cruises in open boat. The rivers, twisting, caramel-coloured and soupy with silt, are the highways of the rainforest. There is constant traffic ranging from overloaded banana boats labouring upstream to the quick canoes of children which, on school days, line the shore by the schools.

Parano, now a conservationist and guide, was raised as a hunter in the jungle and bas senses appropriately honed. From the water his keen eyes spotted greenish coloured three-toed sloths clinging motionless to bankside foliage; he pointed out a bushy-tailed squirrel which scampered high into the tree tops; and once, identifying a pygmy marmoset by its squall, scoured the vegetation with his binoculars until he located its tiny form. Swallow-tailed kites wheeled above the trees, egrets hunted the shallows and parrots screeched past on whirring wings.

One afternoon Julio took us in search of the hoatzin (pronounced watson), a noisy chicken-sized bird of some scarcity living on a lake in the centre of a forested island. High water had joined the pool to the river but, our long boat was too big to penetrate the trees.

Unperturbed, Julio intercepted a local lad who was paddling past and hired him to carry us in pairs in his canoe, weaving deftly through the trunks, to spot several hoatzins as they squawked to one another in the twilight.

Life with Julio was never dull. Unannounced, we would pull into villages to see what was going on. We were invited into bouses to watch the cooking of manioc and tbe salting of fish; we weaved thatch, paddled canoes and joined local men in netting fish.

Holding the heavy folds of the net in hands and teeth with a loop over one elbow, we whirled it outwards to open like a parachute, theoretically hitting the water in a circle and sliding through the surface to trap fish in its mesh bell. Although in practice the circle was often far from perfect, the fish were so numerous that every cast was a success.

Everything in the rainforest seems to have grown to excessive size. Lily pads were like tea trays, insects as big as mice, butterflies the size of bats and bats as large as crows.

But for a habitat as rich and varied as this, there is surprisingly little to see at ground level, for most of life goes on in the tree-tops. Fortunately, the Amazon Centre for Environmental Education and Research offers an opportunity, unique in South America, to wander around the canopy more than 100ft above the ground on a series of swooping suspension hridges.

As I looked down, the jungle hummed and whined like a very bad international telephone line, interrupted periodically by pings and buzzes, yelps and yaps, while at my feet stretched a billowing carpet of leaves in every imaginable shade of green, from the palest celery to the blackest spring cabbage.

Brightly-coloured birds stood out from its surface – azure-spangled cotingas, golden woodpeckers, green honeycreepers and red-throated caracaras. I watched a centipede make its sinuous way over the crevasses of bark and wondered idly if this was a species previously known to man.

After the still, dark, humid oppression of the forest floor, the canopy walkway supplied a breath of fresh air. But the best moments were on the river as day broke.

The soft light of dawn cast everything in a greeny-grey shade, a veil of mist shronded the tree-tops and their perfect reflections wrinkled in our wake. Fishermen cast their nets with gentle splashes and blne-grey woodsmoke rose from rekindled fires. Apart from the quiet calls of children in their red cedar canoes, the only other sound was the dripping of water from up-raised paddles as we glided slowly through the Amazon jungle.

■ *Michael Woods flew to Miami with British Airways and then travelled to Peru and the jungle camps of Explorama, Explornapo and ACEER c/o Wildlife Discovery: The Old Bakery, South Road, Reignte, Surrey RH2 7LB (tel: 0737-223903).*

Along the trail of the trappers

***Michael J. Woods** sails and canoes up the rivers and coast of Labrador*

The minke whale was heading west. Marine Atlantic's ship *Northern Ranger* was going east. We passed each other near Black Island at the mouth of the Churchill River on the coast of Labrador, each going about our business with single-minded concentration. The whale was pushing purposefully through tbe water and rising to breathe with a minimum of effort. I saw it only twice and then it was gone.

The *Northern Ronger* had just called at Rigolet to discharge cargo and take on passengers. Now, just after 6am, the sea ahead was like silk – grey, glinting, smooth. The ship tore it apart and left it in shreds and tatters astern.

Labradoreans rely on water – lakes, rivers or sea, liquid or frozen – to get about. Lahrador has plenty of wilderness and few roads, fewer of them are surfaced. The trans-Lahrador highway slashes across the widest part, a bumpy 350 miles from Labrador City to Goose Bay, and that is about it. To reach any of the coastal settlements yon must take the coastal steamer in summer or drive a snow-mobile over the ice in winter. Or yon can fly.

Heavy loads come by boat. The forward hold of the *Northern Ranger* contained snow-mobiles, all-terrain vehicles, bundles of timber, great bags of sand and gravel, a three-piece suite, a kitchen and various domestic items. We passengers travelled behind. My roomy cabin had the widest bunk I have ever slept in.

A favourite way to see the coast is to take a two-week return trip from the base at Lewisporte. Recognising this leisure use of their boats, Marine Atlantic, asked Labrador Scenic to provide a guide and a full itinerary for their holidaying guests. I joined at Goose Bay, a settlement founded around an airbase.

From here we were taken in small boats across the Churchill to Mud Lake, the unalluring name of an attractive little village beside the lake. Narrow paths through tall grasses and groves of pink willowherb led from one colourful clapboard house to another. Huskies, in summer retirement, harked from their moorings in the surrounding woods and chortling children played hy the river.

We rejoined the Northern Ranger just before dark and at 10pm. She coiled her ropes aboard and we steamed away towards the north. As we went, the scenery changed. Trees became more infrequent and hare bed-rock, ground down and smoothed by millennia of ice, increased. Icebergs hovered on the horizon.

We received word that three polar bears had been seen on the previous day on Quaker's Hat, an island noted for its thousands of breeding sea birds. Crowds hung over the rails as the ship drew near hut the bears had gone. The ship hooted loud and long as we passed and the sky filled with anxious sea birds.

At each settlement the ship became lighter as the hold emptied. This gave time for the passengers to look around although, although for some, it was never quite enough. Twice the ship had to return and pick up a lonely figure waving forlornly from the pier.

Nain is the most northerly settlement on the coast and the turning point for the ship. After a tour of the town's sandy streets to see its sports hall, television station, fish plant and Moravian church, I walked up the hill behind. A short steep climb gave me a view north over wave after wave of inlets and islands mucb like tbose we had already passed.

The thousands of miles of apparently empty countryside are home to bears and wolves and the largest caribou herd in the world. These animals, together with smaller fry such as foxes and martens, were the quarry of trappers and bunters who would spend all winter amassing meat and skins. After more than six months away from home in the toughest conditions – the temperature often hit 40 below – they would load their Canadian canoes to the gunwales and paddle home with the spring thaw to wives wondering anxiously if they had survived.

Joe Goudie comes from such a family, his father and his uncle were trappers and Joe still has hunting in his blood along with a dash of Welsh, Scottish and Cree Indian. One time MP and now Native Liaison Officer for Canada's National Defence, Joe also leads canoe safaris down the Churchill River.

After a night in a log cabin set in open spruce woods, we put the boat in the water, loaded it with tent, wood-burning stove, food, axe and saw and paddled away. The river was flowing quite swiftly especially in the early part of the journey where the water was most exciting althougb never dangerous. After that it was easy paddling and we passed gently through the wilderness.

We kept our eyes open for moose and bear, drifted up to great northern divers and Canada geese and watched ospreys patrol overhead. The river widened into lakes and then closed around us again, dark walls of spruce and fir lightened by the brighter green of willow, alder and white trunked poplar by the waterside.

On one high bank the trees were tipped at crazy angles, their bark torn from tbeir trunks. This was the work of ice, said Joe, carried down on a river vastly swollen by the thaw and shredding any obstacle in its path.

Distant spruce trees marked the site of our camp, their dark knobbly tops looking like the spires of a medieval cathedral. We pulled out on to a sandy beach from where we watched the sunset as we ate salmon and trapper's bread. Only tbe black flies, which plagued us briefly as an evening calm descended, marred an otberwise perfect spot.

A side trip up a stream to visit a beaver lodge left only a couple of hours paddling before the end of our voyage just above Muskrat Falls. Here the twisting, coiling water of the river was transformed into a roaring fury of foam. Joe picked up the 70lb canoe, swung it easily on to his sboulders, and carried it up the steep path which marked the portage route the trappers used to avoid the falls. To them it was just a brief interruption in their long journey along this river road.

■ *Canadion Tourist Office Information : 071-839 2299.*
■ *Marine Athntic, Reservation Bureau, PO Box 520, Port aux Basques, Newfoundland, Canada AOM 1CO (709-695 4209).*
■ *Labrador Scenic Ltd. PO Box 233, Northwest River, Labrodor, Canadn AOP 1MO (709-497 8326).*

Where waves crash and otters frolic

Far below me among the grey, wave-worn rocks of the inhospitahle shore were the tiny white forms of young seals. They appeared lifeless: their puny bodies must surely bave been shattered hy the tumultuous ocean as it beat upon the island and flung them among the hard stones.

However, through hinoculars I could see an occasional movement. I also spotted several of the rocks shifting, too, for some of the "rocks" were adult grey seals. They had come to give birth on this nursery beach and now some of the mothers were suckling pups.

Giving hirth in the grey seal world is closely followed by mating, for it is the one time in the year that bulls can find groups of cows gathered together. From my cliff-top vantage point I had an excellent view of the action as males skirmished with males, bulls pursued cows and mothers protected pups.

These dramas were unfolding in the Shetland Isles, the archipelago of about 100 islands which makes up the most northerly point of Britain. As close to Bergen in Norway as to Aberdeen. The Shetlands are inhahited by a people whose musical tongue seems to owe as much to Norwegian as it does to English and who are the first to acknowledge their strong links with Scandinavia. Including Mainland, there are five notable islands in this wind-swept but mild northern outpost, and each appears to have a wildlife speciality of its own.

The northernmost island is Unst. The Burra Firth forms a deep cleft in its north coast and on one side of this fjord is Hermaness national nature reserve, the spring-time breeding site for thousands of sea birds. Of these, the most sensational are the gannets: goose-sized hirds which fish hy plunging into the ocean from a considerable height.

I watched them hunting for over an bour as hird after hird folded its wings back against its body and plummeted like an arrow deep into the water. Both great and arctic skuas nest here, too. Unmerciful pirates, they will harry the other birds until they disgorge the fish they have caught.

Fetlar is the smallest of the main islands. With fewer than 100 people, it struggles constantly to maintain its human population, though matters are reversed in the summer when bird-watchers arrive because of two rare visitors.

Beautiful snowy owls nested here for a number of years until 1975. The females of these white, amber-eyed hirds still return each summer, though sadly not to breed. Seventy per cent of the British population of red-necked phalaropes, a small swimming wader, breed on Fetlar. The Royal Society for the Protection of Birds has a large reserve and a pnblic viewing hide.

Yell, with its high heather moorland and convoluted shoreline, is reputedly the otter Island of Shetland, although I caught sight of otters on all the islands apart from Fair Isle. Shetland is home to around 1,000 otters – one of tbe densest populations in western Europe.

Otters turn up in the sheltered voes or fjords around Yell's coast. I watched one animal playing exuberantly in the wake of my ferry. Those who are patient should have good views of these lovely mammals as they swim and dive or feed along the shore.

Mainland is the largest of the islands. Its southern-most point hit the headlines in January 1993 wben the oil tanker *MV Braer* went aground releasing 84,000 tonnes of crude into the sea. The effect on Shetland and its wildlife appears to have been slight, and there are still big sea-bird colonies on the cliffs of Sumburgh Head.

Much of Shetland's coastline consists of dramatic cliffs, some of the finest are on the west coast at Westerwick. These are good spots to watch for cetaceans. Killer and pilot whales have been seen from here and several species of dolphin occur around Shetland. It is said that the Good Shepherd, Fair Isle's boat, encounters dolphins on almost half its summer voyages.

Spring and early summer are the hest times to catcb the large colonies of nesting sea birds but autumn can be good for other reasons. It is tbe time when migrants, flying south from tbe Arctic Circle, pass through. October is when grey seals pup and mate and there is much seal activity in many hidden coves and caves.

■ *Shetland Islonds Tourism, Information Centre, Lerwick, Shetland ZE1 0LU (0595-3434).*
■ *Busta House Hotel, Busto, Brae, Shetlond (080622-506). (Contact Busta House for inclusive packages).*
■ *DA Study Tours, Williamton House, Culross, Fyfe (0383-882200).*
■ *M Phillips, Nature Guide Caledonia, Shires Mill, Dunfermeline, Fyfe (0383-880381).*

M.J.W

Under the idyllic volcano

Among the Lesser Antilles in the Caribbean, Nevis is one of the smaller islands. It is sister island to St Kitts. Nevis is very much the little sister, a village of an island, 9,000 people clustered around a dormant volcano with the sea lapping at their feet, writes **Michael J. Woods.**

Nevis is in the group known as the Leeward Islands, which seems to mean little for the wind hlows constantly, especially up in the hills, and keeps the humidity at comfortable levels: the perfect climate for the active, I thought, for I am a restless soul and cannot be doing with endless days on the beach.

Like many of its neighbours, Nevis has a history of sugar plantations dating from tbe 17th century. The remains of some of the sugar estates are still being found. I visited several in the company of a local guide, David Rollinson. Each had a windmill built like a nuclear silo to withstand the battering of burricanes and the agitation of earthquakes – the price to be paid for living on an otherwise perfect island.

Jim Johnson, another guide, led me to a sugar mill ruin he had only recently discovered, huried in a secondary growth of jungle. The remains of the private chapel were almost filled witb living pillars of weeping fig stems.

The weeping fig is a fast-growing and prolific tree, and there is a great spreading example at the entrance to Montpelier Plantation Inn which was my home for the week. It casts dense shade over the front of the main huilding, once part of a sugar factory. The great house no longer exists but is notable for being the place where Nelson married Frances Nisbet in 1787.

The Montpelier is perfectly located on a saddle on the lower slopes of Nevis' volcano. It has such a relaxing atmosphere that I could feel my resolntion to be active seeping away as each day passed.

Like many similar islands, Nevis has suffered from the damage caused by imported mammals. Goats, sheep, pigs and donkeys do little for the indigenous flora while mongooses, and the rats they were brought in to control, have eliminated the native agoutis, iguanas and edible frogs.

While the hird life is limited, there were enough fish to satisfy anyone. To see them, Julian Rigby took me in his boat across the two-mile strait to St Kitts.

Fish, mainly small and in electric blues and yellows, played and fed among the coral and sea fans. Occasionally I would glimpse something more snbtle, a flat fish rippling beneath the sand, for instance. Sometimes it was more sinister: when five larger, almost circular fish, in silver edged with hlue, swam through in line astern, every inhabitant of this underwater world fled.

St Kitts was also the location of my most active exploit of the week, climbing Mount Liamuiga. This is St Kitts' volcano, 3,700ft high and topped with cloud forest. The route we followed was carved out of the mountain-side through the rain forest by slaves in 1690. Greg Pereira drove us in his Landrover through steep cane fields to the edge of the forest where we stopped for s picnic breakfast. We were already promisingly high. From here he pointed to our destination on the crater rim, 1,000ft below the summit proper.

The forest was cool and delightful, full of tree ferns and palms. Some tall trees had buttress roots and others had been overtaken by strangler figs, while the ground was green with soft club moss. The path steepened until, at times, we were climbing ladders of roots. But tbe views both over the island and down into the forested crater, with its occasional sulphur-fringed fumeroles, were worth the climb.

On my last day I went to find Nevis' water source, up a track spiralling around the mountain. But, after an hour or so, the attraction began to fade and I found visions of a cool dip and a leisurely lunch by the pool at the Montpelier floating into my mind.

The sun seemed to get hotter and the hills became increasingly steep. I never did reach that spring.

■ *Michael Woods was o guest of Montpelier Plontotion Inn, PO Box 474, Nevis, West Indies, (tel: 809-4693462). His visit was arranged by Caribbean Connection (UK tel: 0244-341131), whose prices for seven nights at Montpelier start at £946 per person, including flights and breakfast.*

David Rollinson runs Ecotours Nevis (809-4692091): Jim Johnson can be contacted on 809-4695371; and Julian Rigby on 809-4699690. Greg Pereira organises walking tours on St Kitts, (809-4654121).

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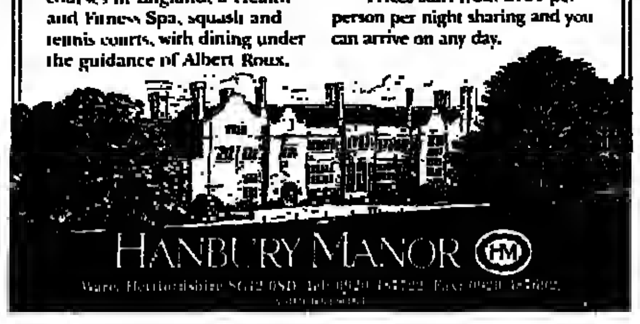

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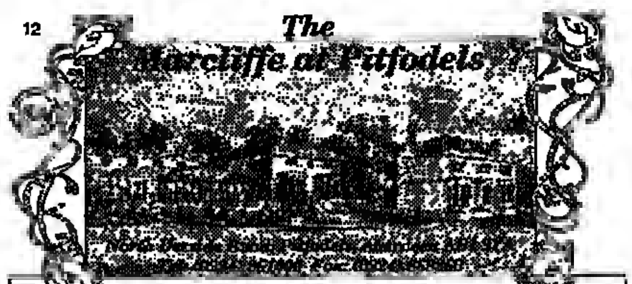

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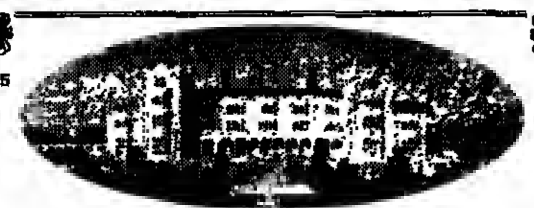

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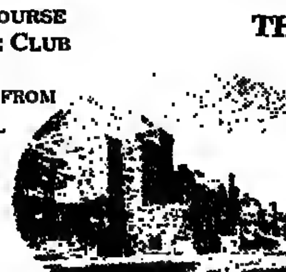

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As They Say In Europe

Does British philosophy exist?

***James Morgan** explains why the death of intellectual Sir Karl Popper made news abroad*

Taking up from where we left off last week – the inadequate intellectual agility of the English – we see the same phenomenon highlighted in an important story this week. Sir Karl Popper died a week ago: he was, according to the Nobel prizewinner, Sir Peter Medawar, the greatest philosopher of science "who bas ever lived". His work extended beyond that area, hut for the British his death was a matter largely for the obituary pages. On the continent Popper's death was news.

Like most British intellectuals of his generation, Sir Karl was born in Vienna in the first decade of the century. He left for New Zealand initially, to svoid the Nazis. He was a member of the famous Vienna Circle whicb gave logical positivism and the verification principle to an unsuspecting world. To British journalists, the verification principle is a tool employed by a ruthless managemsnt in any crackdown on expense claims. To continentals the mere mention of sucb matters provides the occasion for a flashy display of intellectual skills.

Few there would admit any deficiency in their acquaintance with the course of 20th century philosopby. This was nowhere better illustrated than in Vienna itself. Among the massive tributes paid to Popper, the article by Pia Maria Plechl, a leading local columnist and luminary, in *Die Presse*, stood out. She opened witb an alleged quotation from the philosopher, which, in one formulation, concerned a black man searching for a black hat in a black cellar. A fruitless search might have led him to conclude, "It's really not there." Popper had shown the world that the correct response was, "Maybe it's really not there."

Maybe the commuter on the rush-hour tram from Grinzing understands this sort of thing hut it left me puzzled. Why does ths man have to be black, for example?

In Vienna, Popper mixed with the logical positivists. Another noted philosopber, A J Ayer, wben asked on television why he had ceased to be a togical positivist, replied: "Because it was all rubbish."

This statement caused a sensatton In tbe British philosophical community which speculated for some years on its exact meaning.

In southern Europe television dominated many of the Popper-inspired stories. The reporters there wisely kept to philosophies they could understand. Sunday's *La Stampa* pretended it was really interested in Popper's seminal work of 1945, *The Open Society and its Enemies*, but did not take long to get round to his view that television was the real enemy of democracy and that it encouraged violence among the young.

El Pois on Monday was so entranced with this topic that it left Popper to its television critic, who, nnder the headline, "Popper No" said he did not like the man.

"I do not want the dogmatism of the anti-dogmatists, and I do not like those who not only believe the US model is the least worst of all possible models but usually believe it's the best."

The writer went on to argue: "The attribution of crime to television is a matter for minor popular psychologists."

But the adjacent listings showed Popper was right: *lo Ley de Los Angeles* (LA Law) jostled with bull-fighting and westerns for the attention of the Spanish public that evening.

An editorial, entitled "Popper's Hour", appeared on the front of the *Frankfurter Allgemeine Zeitung*. In Paris, *Libération* devoted a page and a half to the great man – "We lose Popper". They both grandly noted bow be had been able to translate the principle of fallihilism from science to philosophy. This roughly states that nothing can prove a theory to be absolutely true, because something might come aloug that falsifies it, but only one thing needs to go wrong for it to be proved false.

This is the philosophical version of Murphy's law and has certain compelling qualities. But the fallibility principle must presumably apply to the theory that watching television makes you violent. And equally to the theory that watching television does not make you violent? (As you will gather, I did not emerge from my philosophy finals covered with glory.)

It was probably the *Frankfurter Allgemeine* that produced the most impressive testimony as to Popper's influence: "He played a significant role in the westernisation of the Federal Republic."

This had happened because the former chancellor, Helmut Schmidt, had discovered him early on and then helped push his Social Democratic Party away from dogmatic Marxism.

I cannot believe that it is usual for the death of a philosopher to make such an impact on European commentators. Nor that there has in recent years been a such a man who has spoken from beyond the grave in so many voices. And in so many languages, apart from English that is.

■ *James Morgan is economics correspondent of the BBC World Service.*

Gardening

After the massacre, the narcissi

***Robin Lane Fox** has some advice for bulb enthusiasts who want to spend wisely and see tangible evidence of success*

THIS weekend, it is time to plan the annual hulh massacre. During the past 30 years, I have sent hundreds of them to their death: tulips, anemones, iris, muscari – and my latest victims, 200 ipheions, which were planted lovingty on a warm October day last year and responded by sending up two green shoots between the lot of them in March.

Gardeners like to forget the mass murders buried in their gardens because hope springs eternal; if only the Triumph tulips would do the same. But I want to share 35 years' experience of such things with those of you who cannot confess to it or are starting out with high hopes, coloured photographs and hulb catalogues which talk of naturalising.

This year is the tulips' 400th anniversary. I send my happy returns to the family although, as individuals, I have seldom had one which has reached its fifth birthday. But since tulips should not be planted until late October, I will reserve a separate week for tbeir birthday obituary.

How, though, do wise gardeners spend their money with better prospects of success? My successes have always been narcissi. This year, the trade bas not found narcissi easy because many of the bulbs did not grow on well in a year of peculiar weather.

I follow firm narcissus rules. I put the tall, hybrid varieties in grass, chosing them to cover their widely differing seasons. I swear by the early Icy Follies, followed by Barrett Browning and the late Pheasant's Eye. These narcissi, with a white base to the flowers, persist better in grass than the tempting all-white daffodils.

Order them in 25 kg bulk for country planting and do not economise by starting with a few and seeing what happens. They grow almost everywbere, bnt you should segregate the varieties in separate clumps hecause they flower at different seasons. They look miserahle if they opan when their neighhours have gone hrown.

Small narcissi also are excellent and persist well, but the catalogues mislead you by recommending them for naturalising. Why not? you might think; after all, some of them grow wild on the Welsh borders or in the Yorkshire dales?

The best method is to plant a few, see if they like you and allow them to colonise. Vigour varies widely hut you sbould start with some small, experimental clumps of February Gold, Tête à Tête and the native Lent Lily. Tbey all flower early, allowing you to mow the grass much sooner in the year.

I have known gardeners whose grass has been colonised by these strong varieties after three years. If they start to spread, the best method is to lift and divide them after flowering when they are still in leaf: they move much better late in April, the season when no supplier can send them out.

We all buy dry bulbs which need to be planted quickly. Next year, there is no particular merit in dead-beading them, hut it really does help, after flowering, to spray the leaves with liquid fsrtiliser once a fortnight.

Most of the small narcissi which I bave not murdered are used in small groups, in flower beds. They bloom early and the small leaves are unobtrusive when they die. The prettiest, but not the cheapest, is Dove Wings, although groups of a dozen bulbs go a long way.

Generally, you can make as much of an impact with small clumps, spaced well down the length of the bed, rather than with an expensive total coverage. February Gold is the strongest form of all (although it is not gold and does not flower in February). Jack Snipe is almost as good and Peeping Tom also has stamina.

Never try to naturalise jonquils in grass: they are better in dry ground below a wall. The pure white forms are extremely pretty and we have had sensational success with the pure white Thalia, planted to face due north at the foot of Oxford's ancient city wall. It is supposed to prefer a warm, sheltered place but it has spread by tbe hundred in this unlikely site.

Narcissi grow well on beavy soil but, in light gardens, I would choose anemone Blanda as a carpet instead; its starry flowers open at ground level in pink, white and blue (or simply blue, if you prefer). They arrive like dry, black nuts from the suppliers and I have learned the trick to them. Soak them for 24 hours in a bowl of cold water before planting, and do not worry if you are not entirely sure wbich side of the corm should be nppermost. Somebow, they right themselves.

They are excellent for tbe front of heds which will he semi-sbaded when leaves return to the trees hut where they can open in the spring sunshine meanwhile. They will often spread quite happily and the leaves are not a bother.

Crocuses are harder to kill if you are not too experimental. Despite a few triumphs, I have vowed to follow narcissus rules with this family, too. Almost the only ones to go into grass will he tbe strong Dutch hybrids, which persist if you do not mow them before the leaves have died away.

The whites and yellows are chosen easily, hut the blues are more tricky because the best-known are purple or striped annoyingly. My favourite is Sky Blne – but squirrels and mice like all these crocuses, too, and I know of no protection except the shotgun.

Small-flower crocuses usually dwindle in grass, except for the vigorous Tommasinianus; this variety is the otber great bet for a future carpet in the lawn. Other small varieties include flowers which I might well choose to take to my desert island: Blue Pearl and Cream Beauty are of unsurpassed beauty and sbow great stamina along tbe front of flower beds out of season or at the foot of bedges of roses. On open ground, they persist and multiply, but grass is too much for them. The best multiplier of all in a flower bed is the pale blue vernus Vanguard – not the cheapest, but mucb your best hope of total cover.

Leave aconites alone in quantity. They are better hought in green leaf in the spring and planted in small samples to see if they are happy. The same is true of snowdrops, which few people estahlish from dry hulbs planted now.

Better bets for the bigger cheqne-book are the milk-blue and white chionodoxa Luciliae, which spreads rapidly, and the wonderfully early scilla Spring Beauty, which makes clumps hut is essential because it flowers so early. Bluebells are a romantic menace and you probably want no more in your life.

I would like to have ended on a positive note. For 20 years, my best early spring hulb was the wonderful iris Histrioides Major, wbich flowers in a hrilliant blue at a helgbt of 6in and resists any weather. I have never been ahle to kill it, whereas its other small relations split into small hulbs and dwindle after two years.

Now, the nurserymen have killed it instead. Its two main suppliers in Holland allowed a virus simultaneously into their stock, and this admirable hulh is now off the market.

An early riser: narcissus February Gold, the strongest form of all — Ardea London

Motoring / **Stuart Marshall**

Citroën discovers a cure for the bends

Open most motoring magazines and you wilt see pictures of family-type cars being cornered savagely, with the wheels on one side pushed up under the body and hanging down on the other. Pity the photographer who has to make head-on action shots of the latest Citroën Xantia Activa. They will look as if the car were standing still.

However hard it is cornered, the Activa refuses to roll. If you look closely at tbe tyres, you might see a tiny amount of side-wall distortion – but that would be all.

The secret? The Activa has an electronically controlled roll limitation system. As soon as the body inclines by half of one degree, sensors activate a pair of hydraulic jacks. Working in conjunction witb Citroën's unique gas/hydraulic suspension, they keep the body as flat as it would be on a car with no springs at all – without compromising ride comfort in any way.

Althougb Citroën is reluctant to admit it, the roll-stifling system makes it possihle to drive the Activa round bends faster than ever. "That is up to the driver," the company says. "We see it as a useful innovation that Improves handling and gives the driver greater control." Quite so.

A few days ago, in the Massif Central, I swooped along curving mountain roads in a Citroën Xantis Activa at speeds no sensible family man – or even a company rep in a burry – would contemplate. It remained undramatically controllahle. To drive it like this, however, is to miss the point of active roll limitation.

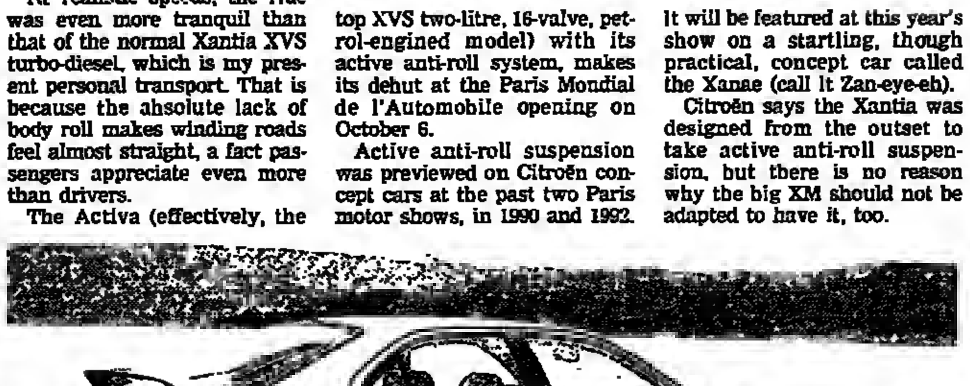
At realistic speeds, the ride was even more tranquil than that of the normal Xantia XVS turbo-diesel, which is my present personal transport. That is because the ahsolute lack of body roll makes winding roads feel almost straight, a fact passengers appreciate even more than drivers.

The Activa (effectively, the top XVS two-litre, 16-valve, petrol-engined model) with its active anti-roll system, makes its dehut at the Paris Mondial de l'Automobile opening on October 6.

Active anti-roll suspension was previewed on Citroën concept cars at the past two Paris motor shows, in 1990 and 1992. It will be featured at this year's show on a startling, though practical, concept car called the Xanae (call it Zan-eye-eh).

Citroën says the Xantia was designed from the outset to take active anti-roll suspension, but tbere is no reason why the big XM should not be adapted to have it, too.

Citroën's Xantia Activa... winding roads feel almost straight



Honda prepares to take on Europe's best

This is the latest Honda Civic, designed and developed in Britain and Germany for European markets and abont to go into prodnction at Swindon, Wiltshire, *writes Stuart Marshall.*

It will be unveiled in Paris in two weeks and will put Honda into contention with Europe's mainstream car-makers.

At prices between £11,000 and £14,000, the Civic will compete with np-market versions of cars like the Ford Escort, Opel/Vauxhall Astra, Peugeot 306 and Volkswagen Golf.

All Civics are fitted with power steering, and the top models have enough wood veneer interior trim to make former Jaguar owners feel at home.

Four engines – of 1.4 and 1.6-litre capacity – will be offered, two of them with Honda's exclusive VTEC variable valve timing.

Every Civic will have twin air-bags – a first in this class of car, according to the Honds company. Antomatic transmission and air-conditioning will be extras, although priced reasonably.

Sales start next month. A new, Civic-based Rover 200 will be launched early in 1995.

Country View / **Michael Woods**

Why cats get the bird

The news that, in 1994 for the first time, magpies have moved into the top ten garden birds will be greeted with cries of borror in some quarters.

The survey, carried out by almost 20,000 members of the Young Ornithologists Club, sbows an overall fall in tbe numbers of songhirds visiting our gardens. No douht there will be some who blame the magpie for the loss.

Certainly this fine bird, witb its beautiful black and white plumage, tinged with metallic green and blue, and its bold piratical manner, bas done extremely well during the past 30 years for its numbers have trebled.

On the otber band it bas made a come-back from extreme scarcity and there was a time when it was most unusual to spot a magpie as they were beavily controlled by gamekeepers.

Even today, in areas with large shooting estates, it is a rare occurrence to see one of these hirds. But neither tbe Royal Society for the Protection of Birds nor the British Trust for Ornithology condemns the magpie.

In the poor habitats provided by some gardens, which offer little cover for songbird nests, magpies can be devastating but, generally-speaking, their bad reputation is unwarranted. Research shows that in rural areas an increase in the number of magpies has heen matched hy an increase in songhirds and even the recent YOC survey indicated that chaffinches and coal tits were also moving up in the top ten.

The real reasons for the decline in our songbird population are much more difficult to pin down and probahly result from a complex mix rather than one single determinant.

Blaming the magpie merely masks the real causes and diverts attention from a proper investigation. Various explanations have heen put forward including the increased use of stug pellets.

One significant cause is likely to be tbe domestic cat, the population of which, in Britain, now numbers around 8.5m. While the magpie empties a nest by removing nestlings one at a time with a great deal of noise and distress, it is generally taking nature's dcomed surplus, the young of incautious or incompetent parents. Often, tbe theu wiser parent birds nest elsewhere and successfully raise a second brood.

Cats, on tbe other hand, move silently by night and eliminate the parents, leaving the cbicks to perish and thwarting any chance of a second brood, a much more devastating blow.

So rather than blame the magpie, why not contrihute to The Cats Protection League which works hard to persuade cat owners to have pets neutered? The spaying of a single female could prevent thousands of unwanted kittens and help many more garden birds to survive.

■ Information: Cats Protection League, 17 Kings Road, Horsham, West Sussex (tel: 0403-261 947).

SPORT

Motor Racing

More power to your right foot

The Formula One year is building to a finale which will be decided by driver skill, writes ***John Griffiths***

Bizarre as it may seem the outcome of this year's Formula One world championship, still the technological pinnacle of motor racing, may prove to have rested on the thickness of a short plank.

Made of wood, bolted to the underside of the Benetton-Ford of current championship leader Michael Schumacher – as it is every grand prix car – its purpose is to make the cars ride higher and thus lose some of the downforce which has allowed them to corner at G-forces for which most circuits had never been designed.

The plank forms a small part of the intended safety dividend from that black day in May when the late Ayrton Senna's Williams-Renault speared tragically, and still not wholly explicably, into the unyielding concrete wall of Imola's infamous *Tamburello* curve.

Had the plank under Schumacher's Beoetton been a few millimetres thicker when it was measured by race officials at the end of the Belgium grand prix, he might be watching tomorrow's Portuguese round from the sidelines reasonably confident that Damon Hill had little chance of challenging his lead in the four remaining grands prix.

Schumacher would have had that confidence even though at the Estoril circuit he will be sitting out the second race of a two-race ban for ignoring the stewards' black flag for a misdemeanour in the British grand prix at Silverstone. Instead, the plank's missing millimetres, bringing the car closer to the ground and thus making it more aerodynamically effective, were construed by officials as more than could be explained by scraping over the kerbs. Schumacher lost all his points for first place. If Hill takes his Renault-Williams to victory tomorrow, as he has vowed he will, the young German's lead will have been cut to just one point.

In the season's final three races Schumacher will have to cope not just with Hill and the other rivala who he has outpaced so easily this season , but the fiercely competitive former FI and IndyCar champion Nigel Mansell.

At 41 Mansell, returning from IndyCars to his old Renault-Williams seat, has something to prove. Currently enduring media taunts that he is over the hill, he will almost certainly prove Schumacher's most formidable challenger.

Benetton was also fined in connection with the black flag incident. It has been involved in disputes with the authorities over its in-car computer software and its pit-stop refuelling equipment. There is a risk that for both Benetton and Schumacher a season which began as a tour de force may end as fiasco. If so, it will be a debacle for Benetton only. Spectators, media and sponsors, are more likely to relish an exciting fight to the finish.

Better yet, this season'a rule changes, embracing a "technology ban", and safety changes, are having an almost entirely positive effect on grand prix as competition and apectacle. It may still not offer the wheel-banging closeness of touring car racing, but the huge technology advantage of leading teams has been much diminished. In particular, the banning of traction control, that odious computer device which limited power to tha rear wheels while accelerating out of a corner, has tilted the balance of power firmly back to the driver's right foot. No longer is he protected by technology from his own over-eagerness. Recently, we have witnessed even the demi-gods pirouetting into the gravel-traps as they re-learn the traction control through human perception and reflexes.

There are those who argue that the traction control ban is a step backwards in terms of safety, and perhaps it is. But balancing power against available tyre grip is one of the most fundamental of racing driving skills. Its absence had served to diminish a sport which, by its very essence, can never be wholly safe.

The changes have also helped brave and skilful drivers escape from the relative obscurity of the middle pack.

No-one, for example, could fail to be impressed by Ukyo Katayama thrusting the Tyrell-Yamaha team back to prominence and harassing even the Williams-Renaults in the most recent grand prix, at Monza.

The hard-charging of Rubens Barrichello with the Jordan-Hart and Ferrari, with Jean Alesi and the ever-cheerful Gerhard Berger, are also beneficiaries of the levelling of the technological playing field.

With Estoril the latest circuit to have corners tamed and run-off areas increased, tomorrow's drama should be confined to the race itself. It should nevertheless contain plot and texture enough for the most demanding aficionado.

In the past few days, Hill and Schumacher have re-signed for their teams. Their immediate futures are assured. But the young Scot, David Coulthard, who must give up his Williams seat to Mansell for the last three grands prix, will be out to prove that it is he, not Mansell, who deserves to drive alongside Hill next year. He pressed Hill hard at Monza and will probably do so again tomorrow. Hill himself is uncomfortably aware of a growing tide of "Coulthard is faster" comment. The coming months for the likeable Hill will be uncomfortable indeed if tomorrow Coulthard remains behind him only on the basis of team orders.

Neither will gain much relief from Ferrari. Alesi, after leading so easily at Monza until mechanical failure intervened, lusts for his first win.

Trying hardest of all will be Johnny Herbert. It has been a miserable couple of seasons with Lotus for the undoubtedly rapid Englishman. Lotus' deteriorating financial position led at last to the appointment of administrators a few days ago. Ironically, this coincided with the arrival of new Mugen-Honda engines. At Monza Herbert headed even the Williams cars away from the start. The brief challenge was ended hy a collision with the fiery Irishman, Eddy Irvine. But if Herbert can prove tomorrow, in front of several potential sponsors, that Monza was no flash in the pan he may save not only his own career - but Lotus itself.


Plenty to think about: Damon Hill must catch Michael Schumacher, avoid being caught by David Coulthard and worry about Nigel Mansell's return Mike Hewitt

Soccer

Oh lucky man

Peter Berlin looks at Keegan's Newcastle

Tyneside is gripped by mania. Newcastle United lead the league. One Geordie, among the Arsenal fans in the West Stand at Highbury on Sunday, explained that if he wanted to see his team play he had to travel to away matches to do it. His brother said: "Seeing Newcastle on top of the table seems unreal. It's like having a Labour Government with a thumping majority."

Tyneside has not been touched by football glory for 20 years. In 1974, Newcastle reached the FA Cup final. They were outplayed by Liverpool and lost 3-0. Kevin Keegan inspired the winners and scored twice. The game represeoted a turning point for hoth clubs.

Liverpool had won the league two years earlier, but the cup victory signalled the start of a period of unprecedented domination. In the next 15 seasons they won 10 league titles, they also won four European cups; the first inspired by the irrepressible Keegan, the last three master-minded by his replacement, Kenny Dalglish.

Newcastle went into decline. They sold Malcolm MacDonald to Arsenat and Terry McDermott and Alan Kennedy to Liverpool and were relegated in 1978 – one year before the last Labour government fell. They returned to the first division in 1984, inspired by Keegan, Chris Waddle and Peter Beardsley. The euphoria was short-lived. Keegan retired. Dalglish, now manager of Liverpool, bought Beardsley. Newcastle were relegated again in 1989. By February 1992 they had slid into the debt and to the bottom of the second division. The club turned to Keegan again.

Just as Keegan, the player, provided the yardstick by which Dalglish was measured. So Keegan the manager must measure himself against what Dalglish has achieved. Dalglish was more extravagantly gifted but lacked the ebullience which made Keegan a talisman wherever he played. Dalglish won 102 caps for Scotland, yet, unlike Keegan, a sense of underachievement hangs over his international career.

A similar doubt surrounds his time as manager of Liverpool. He managed the club to three championships, the side of 1987-8, was perhaps the greatest Liverpool team. Yet he could not avert the decline of the Liverpool empire.

At Blackhurn, Dalglish has hardly put a foot wroog. Arthur Cox and Roy MacFarland at Derby, Graham Turner and Graham Taylor at Wolves, have also spent heavily from the pockets of benefactors, without lifting their clubs out of division one. Dalglish steered Blackburn to promotion within eight months of arriving and then to second place in the Premiership. But he plodded up the ladder. Keegan scampered.

The team Dalglish huilt with Jack Walker's gold, possesses a leaden quality: witness their grimly uninspired 1-0 loss to Trelleborgs of Sweden in the UEFA Cup. On the same night Newcastle gave a golden performance away to Royal Antwerp. Newcastle won 5-0. They have won all six league games, scoring 22 goals and are four points ahead of Blackburn at the top of the table. They are playing dazzling football. Today they are at home to Liverpool whose fans could remind Keegan that Newcastle will not be a great team until they can sustain their form in the first eight matches over eight months.

Even so Keegan's achievement is already striking. He took over at Newcastle four months after Dalglish did at Blackhurn. And he took over a team mucb lower down the league. Dalglish has spent about £30m in three years. Keegan has spent £17m in 30 months. But where Dalglish has bought hlue chippers and bargains. Keegan haa gambled – but then taking over Newcastle when he did was a gamble.

Dalglish spent £2.2m on Tim Flowers, an England goalkeeper. Keegan apent £300,000 on Pavel Srnicek from the Czech Republic. Srnicek dominated at Arsenal. Dalglish spent £3.3m on his two first-choice forwards, Alan Shearer and Chris Sutton. Keegan has spent just over £6m on Beardsley, Andy Cole, Robert Lee and Ruel Fox. Beardsley was 32 and Newcastle's chairman, Sir John Hall, opposed the deal. Cole had played just one top-division game and had a poor personal reputation.

Players hlossom at Newcastle. At Norwich, Fox rarely ran at defenders. This season he is a born-again drihhler. Cole is now creator as well as goal-scorer. Lee, who scored roughly a goal every five games at Charlton, is emerging as a game-winoer, scoring eight goals in eight games.

Newcastle's success is based on more than an eye for untapped talent. The team has a style. Where Blackburn are solid and functional, Newcastle have a distinctive personality.

Last Sunday they posed insuperable problems for one of the league's most sophisticated defences. Newcastle are not the only team in the Premier League dedicated to attack, they are not the only quick, intelligent, passing team. Cole is an exceptional goal-scorer, hut there are half a dozen of them in the division. What makes Newcastla special is their relentless running – into attack and back into defence – and the ability of their front four to drihhle.

A good passing game ia hased as much on the effort of the players off the ball as the perception of the man with it. On Sunday, one sweeping Newcastle counter-attack ended with John Beresford, the full-back, appearing unmarked at the far post to make a header. He then turned and sprinted back 90 yards to his defensive position. Opposing defences must chose between picking up the runs from deep of Beresford, Marc Hottiger, Scott Sellars and Philippe Albert and double-marking Cole, Beardsley, Lee and Fox.

For Arsenal, Martin Keown marked Cole, while Tony Adams hurst forward into the space in front of the penalty area from which Beardsley, in particular, likes to plot mischief, to break up attacks. Cole did not score hut Keown, stretching and twisting all afternoon, did, twice, in his own net.

Newcastle's other goal in a 3-2 win came from a generously-awarded penalty, but Keegan hrushed aside suggestions that his team had been fortunate. Football coaches who want their players to shoot more tell them they must buy tickets to win the lottery. Newcastle's ceaseless, sharply-pointed attacks bring a lot of tickets. They are bound to earn themselves some luck and Keegan has always been a lucky man.


Tyneside saviour: Beardsley has returned to lead Newcastle to the promised land Clive Brunskill

Rugby

Four views of the southern stars

***Derek Wyatt** saw the best of the League and Union seasons below the equator*

Two weeks ago, I took one of the Sydney's new double decker trains to North Sydney to watch the rugby union semi-final between Warringah and Gordon.

The ground has a *Field of Dreams* quality to it: it is a quaint and mellow oval which could easily double as a home for a Palm Court orchestra and it is owned not by Warringah or Gordon or by the Sydney or New South Wales RFUs hut hy the local council. As such it plays home at weekends to the North Sydney professional rugby league team and a host of rugby union sides, something we, in England, find unacceptable, although why we do, is hard to fathom.

Although Gordon caused an upset last year by winning the Grand Final – Randwick, the best side, had done a Bath, losing their concentration, and the match, in an early round – this year they have been a shadow of themselves. Warringah, with a strongish pack and fielding the best player, Mark Catchpole (son of the legendary Ken Catchpole), at scrum-half, were favourites.

The game was played under floodlights to attract a larger crowd: the first rugby leagua semi-final, which drew 40,000 to the Sydney Football Ground that afternoon would have offered over-powering competition.

As I watched Gordon and Warringah my mind wandered, the game had little attraction for the neutral spectator and I kept thinking that I had seen parts of the ground before. It was not until later that it dawned on me that the stands had come from the Sydney Cricket Ground when the "hill" was dug-up.

In the end, in front of 8,000, Warringah emerged the winners hy 29-18 though Gordon were mnch the better side. Warringah went on to lose to Randwick a week later.

It was an unfair comparison bnt a week earlier I had been in the Bosch hospitality suite at Ellis Park in Johannesburg to watch Transvaal narrowly beat Western Province in the Lion Cup, South Africa's equivalent of the Pikington Cup, in front of 42,000 spectators. That day, there were 20 prospective international players on show. At North Sydney there were none.

Sydney is essentially a village, you go to a bar or restaurant and bump into the strangest of people. I ran into Sir Nicholas Shehadie who was Lord Mayor of the city when I first visited in 1975 with the England rugby team. He invited me to a game that weekend, tha major rugby league semi-final between Canberra and Canterbury at the SFG, where a month earlier the Wallabies had beaten New Zealand in the Bledisloe Cup with *that* tackle hy George Gregan.

There was a buzz in the air. The media was excited and at the many breakfasts, brunches and cocktail parties that morning, tha talk was of the game.

The ground, by Australia's best known architect, Philip Cox, ranks alongside those at Murrayfield and Old Trafford. Sir Nick chairs the trust that also looks after its neighbour, Sydney Cricket Ground.

We were joined at his table for luncb by, among others, a cabinet minister and David Campese, the Wallaby back, fresh, or rather, unfresh from his French Barbarian appearance in Paris against the Barbarians.

Big-spending rugby league cluh, Canberra Raiders, have had the most hrilliant season. Their full back, Brett Mullins is the best player in the world and their line up also includes Mal Meninga, although he is well past his sell by date.

Canterbury on the other hand are the local side made good, deeply embedded in the culture of their south Sydney suburb. It is not unusual for them to hold Greek or Italian family days. They have established a strong link with the underclass in Sydney and they have carefully exploited their underdog position.

The game was played in perfect conditions in front of a capacity crowd of 42,000. With just under two minntes to go to full-time, Canterbury led by 17-12. At the last, they succumbed to a try by the post and witb the scores level, the game went to over-time.

It was heart-in-the-month stuff and a replay seemed on the cards until Canberra's Daryl Harrigan, a former New Zealand rugby union player, squeezed in a drop goal late-on to take the game by one point.

All the talk – in Soutb Africa, in Australia and in New Zealand – is about how rugby union will go open. No-one, that is no one administrator or player, has a blue-print that works beyond their own country.

In South Africa, the revenue from the provincial games runs into millions of pounds. As a result, players are training five days a week and being appropriately anriched for their full-time commitments. Nowhere else in the world, except perhaps France, is this possible.

In Australia, Nick Farr-Jones, the captain of the 1991 Rugby World Cup winners, suggested that the best solution for union, very much the poor relation to League, was to: "replicate the cricket scenario. We have grade cricket, Sheffield Shield matches and internationals. The grade cricketer gets nothing, tbe state cricketer receives appearance money and the internationals are paid well.

"Rugby must do the same - club rugby doesn't have the support to pay players; state and national rugby does. We must find a way to compensate the players fairly for their efforts hut I would advise against the players giving up their day-joh."

Farr-Jones does not believe it would be wise for players just to play rugby and not have some regular employment.

David Kirk, the All Black captain of the 1987 world cup winners, said in Wellington, where he works as the adviser to the Prime-Minister, Jim Bolger: "The change in emphasis in the game where players are seeking payment bas brought a greedier, less intelligent player into union.

"Too many of our current squad are unemployed or euphemistically employed by unions or self-employed working somewhere in the so called sports business."

Last Saturday, I watched quite the best game of rugby I have seen since the All Backs demolished London at Twickenham a year ago, when I attended the Auckland versus Otago match in New Zealand. The score, 46-30 to Auckland, belies the quality of the skills on show. This was, I was told, how Anckland, last season' champions, have been playing for three seasons and is the legacy of a previous coach, John Hart.

I was fortunate to arrive in time fo the NZRFU Council's vote to decide on who would coach the All Blacks for next year's world cup.

Laurie Mains, the incumbent, having lost an unprecedented four out of six Tests this season was returned by 11 votes to eight. Poor John Hart was defeated for a third time and will not stand again.

The debate about tbe "coach" has dominated the newa for three weeks and the decision to re-appoint Mains became the lead story for the 1pm, 6pm and late evening news programmes on all three TV networks.

That night, I saw a piece of graffiti: "To win the world cup in '95, NZ needs a coach not a Lawrie." But do not write off New Zealand yet.

Skiing/Arnie Wilson

Just the ticket, mate

Arnie Wilson and Lucy Dicker are trying to ski every day of 1994 on a round-the-world trip.

It would seem natural, we were told, "for Julie Andrews to suddenly cavort through the wild, flower-strewn hills" at Thredbo, New South Wales. Sadly, during our visit, she appeared to have stayed at home in Gstaad. Still, you can understand the attempts by the resort's marketing department to depict it as something out of the European Alps, in spite of the ubiquitous snow gums and crimson rosellas.

It does have a most attractive mountain village and the skiing, on balance, is probably the best in Australia. But it is debatable whether "hot runs like Cannonball, Funnel Web and Michael's Mistake" have "world-wide reputations", good as they are, and whether "every metre is groomed like a Test match wicket". This kind of hype is encouraged by intense rivalry between Thredbo and its biggest rival, neighbouring Perisher Valley.

Until recently, Perisber claimed the highest lift in Australia: the Mt Perisher double cbair. Then, Thredbo had it surveyed on tbe sly and announced that, because the lift did oot quite reacb the summit, *it* bad the highest – Karel's T-bar, at just under 6,675 ft – hy just over one skier's beight: 6ft 6½ in.

Our last resort in Australia was Perisher's other big rival, Mount Blue Cow. Built only seven years ago, the name is said to be inspired by a cow belonging to a stockman's wife whicb strayed into tbe bigb pastures one autumn and was found frozen to death the following spring.

Recently, The Cow, Australia's newest resort, bought one of the oldest - its neighbour, Guthega. It was here that we skied our last trails in Australia, Wombat's Lament and Mother-In-Law, after that we headed for Sydney en route to New Zealand's South Island.

"No dramas, mate," is a common saying Down Under. But, suddenly, thare were. While we were having breakfast overlooking Sydney barbour, our flight to Christchurch was taking off without us.

Our tickets were printed last year – and Air New Zealand's schedules had changed so that our flight left at 8am instead of 11.30. At the airport, we were told the next flight would not get us to Christcburch until after midnight. The grim prospect loomed of a 300-mile drive back to Thredbo to ski.

"Do you have a flight going *anywhere* in New Zealand?" we asked, desperately. There was one to Wellington in half an hour. It was not where we wanted to go, but we grabbed it. As long as we could fly on to Christchurch and reach Mt Hutt before midnigbt, we would ski that day.

By the time we had neared the bottom of the long, winding dirt road to the mountain, it was 9pm. Would the road be open? Would we be able to reach snow? Would there be anyone there?

To our relief, the place was humming. Soon Lucy and I were rumbling up the mountain in snow cats for two mile-long descents, our paths lit by powerful arc-lights on tbe machines. Our record of skiing every day was intact – just.

BOOKS

Crisis in the Caribbean backyard

***Stephen Fidler** on intervention, ambivalence and recriminations on the island of Haiti*

Haiti's first leader, Jean-Jacques Dessalines, said: "Pluck the chicken as long as it does not squawk." His successors have been enthusiastically following his advice for 190 years.

That the chicken is now hardly worth plucking is not the achievement of Haiti's corrupt leadership alone, however. As US troops once more land on Haitian soil, it is worth remembering that almost every foreign intervention in this nation's history *has ended* in recrimination – for both sides.

For the US, which sent gunboats into Haitian waters two dozen times between 1849 and 1913 and occupied the country for 19 years this century, Haiti has been one of the most troublesome countries in its Caribbean backyard.

This book, fortuitously published as the US prepared its invasion force, suggests it will continue to be. For those confused by last week's developments, this eclectic collection of essays, documents and chronology is full of insight.

Its editor, James Ridgeway, is a columnist on New York's Village Voice. He provides two chapters: on Haiti's ruling families and the extension of Haitian government terror tactics to New York. The book's viewpoint is predictably politically correct, but the targets at which it takes aim – the country's mulatto oligarchy, its drug-running army and police, the Duvaliers and the US government and its agencies – are legitimate.

While some may want to discard the more egregious conspiracy theories, what comes through strongly is the ambivalence at the heart of the US government about Haiti policy. It is an ambivalence that continues even with US troops on the ground. Here is current commerce secretary Ron Brown, who as partner in a Washington law firm represented the Haitian government of Jean-Claude "Baby Doc" Duvalier in the US for the four years until just before Baby Doc was kicked out of the country in 1986.

THE HAITI FILES: DECODING THE CRISIS
edited by James Ridgeway
Latin American Bureau £9.99, 243 pages

The US military's preference for their brothers in uniform – led by West Point graduate Lt Gen Raoul Cédras – over the poor illiterate people who make up the *majority* of exiled President Jean-Bertrand Aristide's support, is also clear. Last year, when lightly-armed US troops were heading to Haiti to back an accord to return Aristide to the island, a Pentagon spokesman helpfully said: "One shot and we're out of there." Unsurprisingly, the government organised a riot by armed thugs in Port-au-Prince as the US army was to arrive, and the troop carriers turned back.

Now as US generals emphasise the patriotism of Cédras and the Haitian military leaders, US troops are fanning out through Haiti *with the help of the Haitian military*. Yet were not these the people the US was determined to oust only a week ago? If it is the biggest part of the problem, how can the Haitian army be part of the solution?

In one chapter, a supporter of the Haitian military government *argues that the man the US has to* fear most is not Cédras, but police chief Michel François who runs the so-called attachés – thugs attached to the police – and is cited as being linked to Colombian cocaine barons.

"Michel François is sworn not to let Aristide come back. You're not going to work a deal with him... They [the US intervention force] are going to have to kill François." For a US administration anxious not to repeat the mistakes of its intervention in Somalia – when a witcb bunt for clan leader Mohamed Farah Aideed ended disastrously – this must be a chilling thought.

Muddles and moral certainties

***Anne Applebaum** on two curiously complementary views of Russia*

Here we bave two books. In one, a *Daily* Telegrapb journalist describes three years spent in Moscow, reporting on corruption and economic decay; in the other, a would-be fascist propounds a narrow vision of Russian economic and military superiority, making liberal use of aphorism and epigram. An odd pair, but together, John Kampfner's *Inside Yeltsin's Russia* and Vladimir Zhirinovsky's *Little Black Book* shed light on one another in a curious and unexpected fashion.

Inside Yeltsin's Russia is typical of its genre, opening with Kampfner's memory of student days in Russia, and concluding with a forecast of Russia's future. In between, *Inside Yeltsin's Russia* is sometimes muddled, occasionally switching too quickly from businessmen to politicians and then back again.

But it may be that the book's structure reflects the confusing nature of its subject with deadly accuracy. Yeltsin's Russia was and still is a Russia in which nothing is quite as it seems. A business is not necessarily business, but might be a mafia front; a bank is not always a bank, but a means to launder money. Businessmen are not necessarily businessmen, and politicians are not necessarily politicians.

INSIDE YELTSIN'S RUSSIA
by John Kampfner
Cassell £17.99, 288 pages

ZHIRINOVSKY: THE LITTLE BLACK BOOK
edited by Graham Fraser and George Lancelle
Penguin £5.99, 173 pages

Kampfner writes that "ideological differences played a part, but not the most significant part, in the power struggle that dominated Yeltsin's first years in power. Politics was largely a means to an end, and that end was economic control." Economic control is a polite way to say that politicians were primarily interested in self-enrichment, thet politics were largely about money, and that most of what looked like political debate was, in fact, carefully controlled stealing.

Take, for example, Kampfner's convincing explanation of the power struggle between president Yeltsin and vice-president Alexander Rutskoy. Although this struggle began in the autumn of 1992 and culminated in the storming of the Russian parliament a year later, its origins lay not in a political difference, but in a bitter disagreement over wbose aides and followers were stealing the most.

Rutskoy's Kremlin office was frequented by businessmen who "would barge in unannounced, calling him 'Sasha' and giving him orders"; yet Rutskoy had a habit of summoning his political adversaries to meetings, claiming to possess compromising material about their own business deals, and demanding favours in exchange for keeping quiet. If Rutskoy really was ever interested in constitutional issues – in, say, upholding the principle legislative rule in the battle against executive power – he did an excellent job of concealing it.

Yet put down Kampfner's book and pick up *Zhirinovsky: The Little Black Book*, and all of the confusion melts effortlessly away. True, *The Little Black Book* is not quite what it appears to be either. Although it also looks, on the *surface*, like a classic of its genre, sharing its epigrammatic format with Mao's *Little Red Book* and Nietzsche's collected works, it is only a compilation of Zhirinovsky's sayings, put together by Graham Fraser and George Lancelle, two non-Russians who are (not surprisingly) unsympathetic to the man and his ambitions.

But although in translation and surrounded by critical editorial comment, Zhirinovsky's actual sayings are concise, and his ideas are clear.

Are both Yeltsin and Rutskoy corrupt? Well, says Zhirinovsky, "the only party with clean hands and a clear conscience – we are unsullied and unmarked by a single drop of blood – is the Liberal Democratic Party of Russia," the party led by Zhirinovsky himself. Do people feel economically insecure? Under a Zhirinovsky government "some of the population will live very well because people will have the opportunity to work honestly and, after that, to enjoy a secure old age." Foreign policy is simple too: "Why should we inflict suffering on ourselves? Let others suffer."

In Zhirinovsky's speeches all of the muddle and moral uncertainty which are so evident in Kampfner's account of life in modern Russia are swept away – and that, of course, is precisely Zhirinovsky's appeal to the "lumpenized masses", in whose name he claims to speak.

His star may already be fading, as even the "lumpenized masses" learn to see through him, but Zhirinovsky will undoubtedly be followed by others who see the value of clear speech and ideas. While Yeltsin dithers, hiring more old apparatchiks to work for him, others with better intuitions about what Russians want to hear will, for better or for worse, capture the public's attention. Having read these two books, no one would find it difficult to understand why.

The Capuchin Cemetery in Rome, photographed in 1870: one of 366 extraordinary images from 'The Body: Photoworks of the Human Form' by William A. Ewing (Thames and Hudson, £16.95, 432 pages). The pictures – beautiful, bizarre and sometimes brutal – span Victorian erotica, medical photographs, Fifties pin-ups, early anthropological studies and surrealist explorations of nude portraiture.

Fiction/Carlo Gebler

Thwarted dreams of perfection

Signals of Distress is the fourth novel from the highly-talented Jim Crace, but the first which could be said to be realistic. The setting is Wherrytown, a miserable fishing village on the Cornish coast, and the time is the 1830s.

Enter an American sailing ship with a slave aboard, and a London freethinker and emancipationist, Aymer Smith. The impact of these arrivals on the chapel culture of the village leads, inevitably, to conflict. Aymer Smith is the novel's fulcrum. His utopianism is a fraud; everything he does – while ostensibly for others – is in fact done to enhance his self-esteem. Vanity and self-love lie at the root of his deeds.

The author's portrait of this spindle-shaped, boring windbag, who spies on his fellow guests as they make love and is totally and irredeemably unlovable from start to finish, is fantastically achieved, a tour de force. It is also strangely unsatisfying because Aymer at the end knows nothing more than he did at the beginning.

In short, Aymer is a cipher who belongs in the canon of revolting men to which the writer Ian McEwan and the film maker Peter Greenaway, for instance, have contributed many examples. Ostensibly, their creations, who are men at their very worst, are intended to satisfy a liberal, pro-feminist constituency; in fact they are anti-male.

After 270 pages in Smith's company, I was left with the feeling that this horrible character, and the fact of having created him warts and all, is ultimately less a comment on an autonomously created character than an intended reflection of the author's integrity. But putting aside this reservation, there is no doubt that he can write brilliantly and move his enormous cast around with formidable panache.

SIGNALS OF DISTRESS
by Jim Crace
Viking £15, 277 pages

FREELAND
by J.D.F. Jones
Sinclair-Stevenson £14.99, 293 pages

Some of the themes of Crace's novel – notably that mankind's imperfect nature will always sabotage aspirations to utopianism – are explored in J.D.F. Jones's first novel *Freeland*. Both works are also mercifully free of the trickery and verbal showing off so common in novels today.

The Freelanders of the title are a motley band of idealists who intend to settle in the Kenyan highlands and establish an ideal and just society, crime free, with collectively owned property.

But to get where they want to go they must first pass through Lamu, an island off the East African coast and an ancient landfall for mariners on the Indian Ocean. The place is half-Arabic, half-black, civilised, corrupt, corrupting and every bit as confusing and dangerous as the European cities which they have left behind.

As the narrative unfolds it becomes clear that our dreamers are hopeless at holding onto their beliefs amid the whore houses, the transvestites, and the slave traders of Lamu; they become ensnared in local plots and most never even get to Africa proper. To point up the unbridgeable gap between the dream and the sordid facts of human nature, every chapter begins with a quotation from the silly Utopian novel of the movement's founder.

Freeland is part of the long tradition in literature whereby Europeans dumped in tropical climes behave foolishly, dangerously or criminally and thus reveal that their civilisation is only skin deep. The most sublime example of this form is *Lord of the Flies*.

The cast in *Freeland* is very large, for besides our 20 or so settlers, there is also the local Arabic ruler and his clan, the local Britisb administrator, and an Englishman of dubious provenance wbo joins the visitors in order to spy on them. The author does not always move them about gracefully. He is also somewhat inclined to salt tbe letters of his characters with asides to the effect that everything is falling apart, rather than revealing this fact.

Yet there is much pleasure in this book for readers who like their fiction straight up, unadorned, without linguistic flights of exhibitionist fancy and no gratuitons *mise en scène* designed to expose aither the reader's queasiness or the author's bravery in reporting on the disgusting. A decent read.

A tilt at the New Testament

Enocb Powell courts controversy. That is no bad thing, except that he seems to have a Quixotic talent for picking figbts he is bound to lose badly. In this book – a new translation, with commentary, of the gospel according to St Matthew – he does so by returning to his roots as a classical scbolar, to tilt at the windmills of New Testament scholarship by proposing a radical new thesis about the Gospels.

There are a number of accounts of the life and teachings of Jesus, of which four were made official by the early Church. One of these, the gospel called "John", is a sophisticated theological work written much later than the others. The others, known as the "Synoptic" gospels, are more historical in character. If the vehement world of biblical scholarship has a standard view about these writings, it goes somewhat as follows.

The earliest is "Mark". It was written in the late fifties AD, in Rome, perhaps under St Peter's supervision. It seems originally to have contained neither the nativity nor resurrection stories. "Mark's" purpose was to persuade Roman converts that Jesus's *crucifixion* – a Roman punishment for terrorism – was the result of a plot by Jewish leaders, who were too afraid of the populace to stone him for blasphemy.

"Matthew" and "Luke", the standard view continues, were written independently of each other at least two decades after "Mark", and were based both on "Mark" and a separate source of anecdotes and sayings, now lost, which scholars call "Q".

Any discriminating reader of the gospels will notice further points. "Mark" is a crude work, a record of miracles and deeds, with little of Jesus's teachings in them. "Luke" is a skilful literary work, whose author explores motivation in his characters and crafts a coherent narrative. "Matthew" is clumsy, a poorly edited compilation from unordered and overlapping materials. But "Matthew" has the virtues of its vices; alone among the gospels it records great tranches of ethical teachings, as if its writer (or compilers) had simply transcribed much of "Q".

THE EVOLUTION OF THE GOSPELS
by Enoch Powell
Yale University Press £16.99, 224 pages

Powell's controversial disruption of this standard picture is that "Matthew" is the original gospel, and "Luke" and "Mark" both derive from it, and from it alone. Matthew itself is a composite work, Powell claims, consisting of an early document with later additions and changes. The early document justifies Peter's mission to the Gentiles, the later changes were made to please Peter's opponents, the Christians who wished to remain within Judaism. In thus witnessing doctrinal struggles in the early church, says Powell, Matthew is uniquely important.

To establish his theses Powell uses techniques of textual criticism. Although singularly brief, his argument cannot – alas! for it is fun to delve among such arguments – be rehearsed here. But one does not have to be a Greek scholar to see *that it fails*. For everything Powell says is consistent with the standard view that "Matthew" and "Luke" derive from "Mark" and "Q" – with Luke perhaps adding something of his own.

On the second thesis – that "Matthew" is a beavily emended text – Powell is less dogmatic, and more plausible. There is little doubt that the gospels were doctored as Church politics required, and "Mattbew" seems worst affected. But this too is consistent with the standard view; it would only be significant if "Matthew" were indeed the first gospel.

Powell ignores the standard view, and he also ignores an even more important matter, which is that the real first gospel is actually Paul's epistles, written – the standard view again – two decades before "Mark".

A.C. Grayling

Judgment in the balance

Socrates has a great deal to answer for. Thanks to him, and to fellow ancients Plato and Aristotle, the west has got stuck in an adversarial way of thinking, in which creativity has been stifled and destructive criticism has flourished.

In *Parallel Thinking*, Edward de Bono suggests that we put the last 2,500 years behind us and start looking at the world in a new way. No longer should we be preoccupied with truth and falsity, definitions and judgments, but we should think in terms of possibilities, laying before us a number of *parallel ideas, using them to* design a way forward.

This is his boldest attempt yet to change the way our minds work. The deluge of books from de Bono over the last 30 years has introduced the world to lateral thinking, to water logic and to a large number of other thinking techniques. This time he is doing something more radical: suggesting that we throw out our entire thinking machinery and adopt his ways instead.

To take such a bold step, we are going to need some persuading. He tells us that western thinking, which assumes conditions are stable, is increasingly ill-equipped to deal with a changing world. He claims it encourages us to be destructive and discriminatory in our habits and institutions (he just stops short of making Socrates responsible for racism, but does blame him for the pointlessly adversarial nature of the British parliamentary system). Western thinking also makes us complacent, because we build everything around the status quo; and arrogant, because we view the truth as absolute. These tendencies mean we cannot accept that the whole system is flawed.

PARALLEL THINKING
by Edward de Bono
Viking £16, 240 pages

Instead, if wa could only stop viewing events in terms of is/is not and always/never and concentrate on sometimes/usually/maybe the world will open up, and new ideas and initiatives will fall into our laps. De Bono is not so unrealistic to assume that adults can make the transition easily or quickly. He insists that all schools should teach these new ways of thinking to children, thet governments should set up special thinking departments, and that the United Nations should even establish an Office of Creativity.

De Bono is right to point out the dangers of a system that relies excessively on criticism. He is right that new ideas need encouragement, they do not just happen. It may also be true that we are excessively preoccupied with putting events into hoxes, rather then viewing them from all sides, and wondering what they lead to.

Yet he overstates his case. As ever with de Bono, the whole is produced with breathtaking arrogance. The sub-title, "From Socratic to de Bono Thinking", gives a flavour of what is to follow. Every one of the footnotes refers to his own works, and the text is written in a style of one that brooks no opposition. This is made harder to swallow by the fact that parallel thinking is meant to be about humility and alternatives.

There seems no reason to view the Socratic and "de Bono" methods as rivals. Imagine the chaos if for every minor thought we had to lay out all the possibilities in parallel and design a way forward. For the vast majority of our thoughts our accustomed machinery suits us well, making it possible to get through the day at all. Certainly wa should try to be less inflexible in our judgment; but Socrates would hardly have had a problem with that.

Lucy Kellaway

Entertaining road to hell

Martin Hoyle enjoys 'Don Giovanni' and 'Eugene Onegin' in Belfast

Nature, or rather town planning, has done Belfast's Grand Opera House no favours. Next to the headquarters of the Ulster Unionists and across the street from the Europa Hotel, the charming theatre has been the innocent bystander in more than ooe bomb incident aimed at its neighbours.

Last Friday opera returned to the theatre after postponement through bomb damage. Two Johns visited Belfast that day: Major, full of good intentions, and Mozart's lascivious Sevillian who took the less well-paved but more eotertaining road to hell. *Don Giovanni* was played out in the unusually intimate splendour of a *fin-de-siècle* interior, at first glance a convantional Frank Matcham froth of gilt, cream and red, but with intriguing eastern decorative motifs: Moslem sages jostle trumpet-playing cherubs on the ceiling, cartouches frame Hindu gods, and elephant-heads form the capitals of pillars.

This production is the result of co-operation between Opera Northern Ireland and Bath and Wessex Opera. There were reportedly some technical hitches at the first night in the west of England, and in Belfast the odd off-stage crash and on-stage flash bespoke the occasional gremlin. But Roman Terleckyj's production is as lithe and swift as its young cast. David Myerscough-Jones' set is dominated by a buge grille that parts, ringing changes oo the basic theme of a closed-in society, with visual allusions ranging from Piranesi-like nightmare prisons to the *Marat-Sade* spectacle of panicky peasants clambering up the hars in an affort to escape the aveogers in the ball scene.

To judge by both *Giovanni* and the following night's *Eugene Onegin*, there is no shortage of good baritones today. The Danish Johannes Mannov was a plausible philanderer and a stylish Mozartian: his honeyed opening of "Là ci darem la mano" with the sweet-voiced Zerlina of Yvonne Barclay turned it into a real seduction. Eric Ashcraft'a Ottavio was much less wimpish tban usual, Chriatopber Purves' light-voiced baritonal Leporello had tha stage communicativeness expected from an ex-Wallbanger (as in Harvey and the ditto), John Hall's Commendatore was young and vigorous.

Musically Roy Goodman directed a fleet performance from the Ulster Orchestra. Most stylish of all was the Elvira of Elizabeth Gale, once a memorable Zerlina. There have been fuller voices in the role, but she knows what the character and Mozart are about.

If *Don Giovanni* was conventionally enjoyable, *Onegin* had much in it that reminded the English visitor of Pountneyesque ideas from ENO's glory days. A little girl, Alice-like, wanders througb the action: the child Tatyana was? The innocence that never quite died? Invisible, all-seeing, she firmly shuts a book over the grieving Onegin, as if the characters' destiny had been already decided in the past. Between scenes a wind whistles across the stage, dominated by the autumnal crimson of virginia creeper. There may be a tendency to think of Pushkin's "lyric scenes" as anticipating Chekhov. However, only 48 hours after seeing a stage adaptation of *Emma* I was struck how much Tatyana and her circle had in common with Jane Austen's small, intensely-felt world of emotional ripening and developing moral awareness.

Ths leter romanticism is all Tchaikovsky's own, and the Romanian production team (director Ion Caramitru, designer Maria Miu) play up the element of regretted opportunities, vanished hopes, unrecapturahle yonth. The St Petersburg ballroom is full of ghosts – the tired nurse, Olga, Madame Larina, the dead Lensky, his pistol raised as in that fatal duel – pass like wraiths through the slegant dancers. As a way of dramatising an opera that can unfold slowly on stage, whose conflicts are internal and psychological, the production strikes a happy and tactful balance between theatricality and the introspective beauties of the score.

Seductive voices: Elizabeth Gale and Johannes Mannov in 'Don Giovanni'

The American Kimm Julian is a mature Onegin, a stiff avuncular figure, perhaps a foretaste of one of Henry James'a more icy creations, finely sung, intelligently acted. Melanie Armitstead's dignified bearing and veiled vocal quality were better with the grande dame than the Impulsive girl. Mark Beudert, another American, provided Lensky with Italianate tone, after initially uncertain intonation, and made a handsome young poet. Kate McCarney, a glamorous Olga, Colette McGahon's loving Larina and Enid Hartle's experienced Nurse filled the lesser roles from strength.

Robust playing for Kenneth Montgomery was seconded by the splendid ONI chorus, amazingly an amateur hody. This recalls Wslsh National Opera, originally built around an amateur chorus, but WNO was able to grow through the backup of English besides Welsb touring. Dreams of one central organisatioo providing opera for Belfast, Duhlin and Cork are still "a political hot potato". Meanwhile ONI prepares a touring version of *Don Pasquale*, looks forward to *Elisir* and aspires to next year'a double of *Bohème* and *Cunning Little Vixen*. As the company admits, Janáček is a box-office risk, but "it's the sort of opera that people can coms to and fall in love with".

A lingering gaze into the well of loneliness

Alastair Macaulay on Hellman's theatrical exploration of lesbianism

How wonderful: a new production of an old play that – despite (or rather because of) the general excellence of its acting and staging – sends us out talking about the play itself. And bow wonderful: at last, a play about bomosexuality (after a million other plays about homosexuality we have seen this year) that is neither agitprop nor sentimental nor evasive. The play, Lillian Hellman's *The Children's Hour*, will be 60 years old this November, and Howard Davies's production makes us see that it works on three levels.

On level one, it is about the unjust scandal caused by accusations of homosexuality among teachers – unjust because those accusations are unfounded. This is the level that almost any audience can take, and Hellman was able to bring it to the movie version, *These Three* (1936), for which she wrote the screenplay. Karen Wright (Harriet Walter) and Martha Dobie (Clare Higgins) are young women who run the school for girls they have founded. Mary (Emily Watson), a peculiarly evil 14-year-old, wrecks the school, to which her grandmother (Gillian Barge) has sent her, by accusing tbem of lesbianism. The accusations also blight the engagement of Karen Wright to the pleasant Dr Joe Cardin (William Gaminara).

On the second level, it is about the unjust scandal caused by homosexuality among teachers – unjust because homosexuality is oot a crime or sin that should cause social ostracism, eveo when one of the teachers finally admits to, or discovers, homosexuality io her own thoughts. This is the level that could not be brought to the screen until 1962. . Martha Dobie is the one who confesses lesbian desires. Feeling that she has brought ruin upon everyone, she shoots herself.

And on the third level, it is about the difficulties of repressing or admitting homosexuality in oneself. This is the level that has seldom bitherto bean seen as a major theme in *The Children's Hour*. Here, however, we not only see it in the character of Martha; we also see it, at any rate in potential, in Karen – who has been delaying the marriage, who finally sends Joe away, and who almost lets Martha kiss her "that way".

Later, when Martha is dead and when Mary's grandmother (not knowing of the death) comes to start righting the wrongs that she has done the two teachers, Karen has moved beyond the issues of right, wrong and injustice. And, when she is then left alone, she mounts the stairs to the room where the dead Martha lies. It is at least possibla that Karen means to join Martha in death; or tbat she wishes now at last to be united with her in desire. These are only possibilities, I stress. A contrary option is also possible: that Martha only thinks herself a leshian and kills herself because of the intolerable pressure of the situation; and that Karen's final ascent of the stairs is simply ber wish to repent her own homophobia.

The beauty of this production is not that it forces us to think worthy, glib thoughts about the evils of repression, but that it brings these and other ambiguous interpretations to the surface. So much so that Hellman, as never before, seems to be kin to Henry James. In Mary's disturbing influence on her educators and other children, one thinks of the evil things known by the child Miles in *The Turn of the Screw* (and here Martha is also the victim of a turn-of-a-screw situation); in the triangle of Martha-Karen-Joe, one thinks of the Olive-Verena-Basil triangle in *The Bostonians*.

Let me not sound carried away. *The Children's Hour* is, on the whole a melodrama. Its first act is far too diffuse, and Martha's third-act revelation awkwardly sudden. But the play is given bere, in almost all respects, with such fine fluctuations of tone and mood that it keeps going beyond melodrama; and Kareo's fioal solitude – stressed in this productioo more than Hellman's stage directions suggest – approaches tragedy.

Tragedy of unjust scandal: Harriet Walter and Clare Higgins in 'The Children's Hour' Alastair Muir

If I have left little space to praise the performances, I hope my praise is already implicit. It is easier to cite the production's flaws. Jason Carr has provided film-type music to underline the big moments: can this please be cut? Some American accents have minor prohlems. Alison Fiske's account of the silly old aunt applies too much vocal caricature; Emily Watson does not suggest the most disturbing or most real aspects of Mary's evil and spoilt nature. However, to watch Harriet Walter, Clare Higgins and Gillian Barge in their roles is a rare privilege. There are a thousand telling details in their performances, and all of them work together to make the stage world more absorbing.

In repertory at the Lyttelton Theatre, South Bank.

Off the Wall/Antony Thorncroft

British art set fair for revival

The organisers of the 20th Century British Art Fair, which opens at the Royal College of Art on Wednesday and runs until Sunday, have pulled in the Big One. London's leading modern art dealer, Leslie Waddington, bas agreed to take part. Ha has withdrawn his pronouncement that London is artistically dead and will show works by Henry Moore, Peter Blake, David Hockney, and more.

His participation sums up a revivalist mood. The fair has grown to almost 50 exhibitors and concentrates on British art which shows 20th century progressiveness withont lapsing into the conceptual avant-garde. Another important newcomer is the New Art Centre, with sculptures by Hepworth, inclnding "Ascending Form (Gloria)" at $900,000, Frink and Armitage.

The loan exhibition consists of paintings from the Financial Times collection. This is the first tima works from the collection have been on public view.

The fair began in 1988, near the peak of the market, and was an instant success. One dealer sold a painting by S.J. Peploe, the Scottish Colourist, off his stand to a stranger for £275,000. This year Duncan Miller is offering a very fine Peploe, indeed the largest he painted, "Interior with seated girl", for £175,000.

Julian Hartnoll, wbo is showing "kitcben sink" artists like John Bratby, reckons that many prices are now only 50 per cent of the levels six years ago. Private collectors can now afford to buy again and anyone who dreamed of owning paintings by the likes of Wyndham Lewis, Carel Weight, Patrick Haron, Stanley Spencer, Graham Sutherland, Ivon Hitchens, Augustus John, in fact all the established names of the century, should hurry along.

★

It is a dumb arts organisation which is not launching a re-building appeal in the hope of attracting National Lottery money. Most start their projects at £1m and then add a nought, or two. So it is refreshing that Leighton House in Kensington, the home of the High Priest of Victorian art, Lord Leighton, is only seeking £400,000.

It wants the money not to build, but to return to the past, to recreate the garden, the grand Arab Hall, and the artist's studio as they might have looked on some mythical day in the 1880s. Lord Leighton has just popped ont and you idly wait in his home. His easel, brushes and props are all in place in the studio, and yon can just catch the conversation of bis deserted supper guests, murmuring away round the dinner table. This is strictly heritage restored.

With Sir Andrew Lloyd Webber, a Leighton lover since his school days, heading the appeal it stands little chance of failing, and the bouse sbould be ready for even more visitors (it already gets 42,000 a year) hy January 1996, wben there is a hig Leighton show at the RA to celebrate the centenary of his death.

It would be interesting to open other artists studios in the neighbourhood. Val Prinsep, G.F. Watts, Marcus Stone, William Burges (with a particularly fine Pre-Raphaelite interior) and Luke Fyldes, all lions in their late Victorian day, lived within pot throwing distance. Their homes are now occupled by such contemporary luminaries of the cultural scene as Led Zeppelin guitarist Jimmy Page and cinematic foodie Michael Winner.

Prices are only 50 per cent of the levels six years ago

★

Once again British programme makers have triumphed at the Prix Italia, Europe's oldest broadcasting festival. Standards among the 77 television programmes competing for the three prizes have been higher in 1994 than at any time in the past 20 years. Yet the BBC won the main prize for drama with *The Snapper*, Roddy Doyle's sharp bnt bilarious story abont teenage pregnancy in a rumhustious Dublin family; and for music with *Strange Fish*, the television version of Lloyd Newson's remarkahle modarn ballet danced hy the DV8 company. Furthermore, in the documentary category – the only one they did not win outright – the BBC won the special prize with *Black Daisies For The Bride*, a harrowing hnt undeniably original programme dealing with Alzheimer's disease. Prix Italia and special prizes are each worth 15m lire (£6,000). Christopher Dunkley will report in full in Wednesday's television column.

The Mikado returns

English Notional Opere's all-white *Mikado* is one of the company's hardiest productions. Wednesday's welcome performance marked the opening of its sixth run since it was new in 1986 – David Ritch once again reviving Jonathan Miller's original – and everything in the Grand Hotel setting came np shiny end slick. The cast, with one exception all returning to their roles, is now more more confident than ever, thongh this inevitably means some loss of spontaneity. Still, most of it remains very funny, not least Ko-Ko's amazingly topical Little List, which now includes references to the Hecklers, Jeffrey Archer, Mrs Bobbitt, and Mr and Mrs Michael Jackson.

Indeed, Richard Suart's Pythonesqne Ko-Ko, with his gallery of accents and twitches, remains the star of the sbow. Lesley Garrett's bubbly Yum-Yum – she sings a sensnous "The sun whose rays" – and Bonaventura Bottone's coy Nanki-Poo (whose lyrical singiog matches bis twinkling characterisation) are not far behind in the show-stealing stakes. Anne Collins repeats her vengeful virago of a Katisha, Richard Angas his preening hnt absent-minded Mikado, Ian Caddy bis Pooh-Bah, and Arwel Huw Morgan the plus-foured clergyman Pisb-Tush. Completing the three little maids from St Trinians' are Ethna Robinson (Pitti-Sing) and – new to the cast – Mary Plazas (Peep-Bo).

Sian Edwards, wbo has raised critical eyebrows for her seemingly arms-length musical directorship of the company, here maintained a firm grip on the score. She let the music sparkle, kept ensembles tigbt, and most Importantly, since ENO's resolve on the language issue seems set to waver, allowed us to hear almost every word. There are only five further performances of *The Mikado* this season, not to be missed.

John Allison

Sponsored by Schroder Investment Management and SG Warburg plc.

Jazz/Garry Booth

A label for success

Manfred Eicher, founder/proprietor of the Munich record label ECM, is not the sort of person to celebrate a 25th anniversary with hoxed set compilations or retrospectives. Never one to respond to the commercial mores which preoccnpy others in the music business, Eicher even claims not to pay any real attention to how well his recordings sell. An autocratic and Idiosyncratic individual wbo controls svery aspect of each recording, he says that to him, "popularity and appreciation is a side benefit, almost".

Started by Eicher as a jazz label in 1969, Editions of Contemporary Music has become home to hugely successful artists as well as harder-to-classify fringe intrumentalists. Halped in large part by the runaway success of American pianist Keith Jarrett's 1975 live recording, *The Köln Concert* which has sold two and a half million copies, more than any other solo piano work, Eicher can afford to record with less commercial artists. In between refined jazz masters such as John Abercrombie, Dave Holland and Paul Motian, the ECM catalogue lists the diverse sounds of cellist David Darling, violinist Shankar and the African drums of the Moire Orchestra among others.

This mix of reliable sellers and "outside" improvisation is constantly renewed. Tbe immensely popular Norwegian saxophonist Jan Garbarek records for Eicher as does the successful "new" classical composer, Estonian Arvo Pärt. But so does Heiner Gosbbels, whose latest CD has the citizens of Boston reciting Edgar Allen Poe's *Landscape with Argonauts* on the sidewalk. In *Twilight Fields* Stephen Micus alternates between flower pots, a Bavarian zither and something called a "nay".

Eicher has prodnced virtually every one of the company's 550 recordings and, though he dismisses the idea, it shows. A wilfully solitary person ontside the studio, Eicher cites film makers Godard, Tarkovsky and Bergman as his influences inside it. He is attracted by the bleak beauty of northern Europe and always records in the same Oslo studio. This aesthetic taste is carried through to the mixing desk.

If there is such a thing as the ECM sound, it is characterised by judicious use of reverb and the stark clarity of each instrument's voicings. Detractors say it is old; someone once described it as the most beautiful sound next to silence. Explaining his studio technique, Eicher, who is himself a conservatory trained violinist, says bluntly: "I seek only austerity and discipline. I do not impose a 'sound': the directioo comes from the music itself."

In the ECM Nsw Series, which concentrates on composers from Thomas Tallis to Steve Reich, Eicher says he has tried to bring some of the spontaneity and dialectic of jazz to written work. Pärt's compositions, which Eicber describes as "tbe music of slowly beating wings," (*Miserere* in 1991 and *Tabula Rasa* in 1984) have continned to sell especially well. Now Eicber seems set for another success, this time with an unlikely experiment in early music.

Eicher's latest offering, *Officium* (ECM New Series 1525 445 369-2), sets Garbarek's distinctive yearning saxophone sound across the hymnal early music of a vocal quartet, the Hilliard Ensemble. Compositions on the alhum ara from the 13th to 15th centuries and explore chants, early polyphony and Renaissance motets. After some initial confusion over its proper category, *Officium* has entered the classic FM chart at number two and now promises to be as big a hit with the people who hought Into monks chanting as it is with coofirmed ECM aficionados.

Garbarek and the Hilliard tour Europe next month

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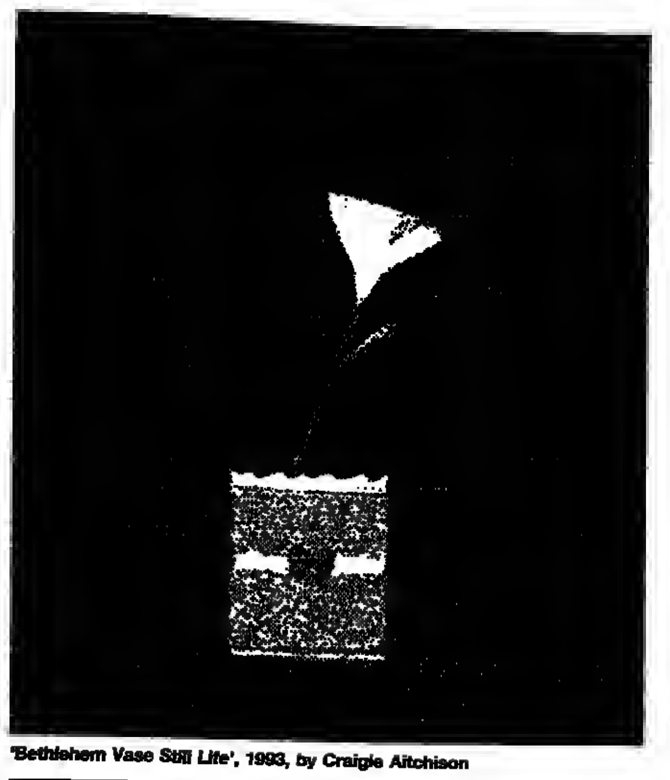


'Bethlehem Vase Still Life', 1993, by Craigie Aitchison

Damned by lack of controversy

***William Packer** lambasts the judges of the new Jerwood Prize for their unadventurous choice*

I should have known it would happen, if only on the principle that if things can be got wrong, they will. There is no such thing as a racing certainty, even of failure, as we should know from the example of the splendid Moonax, coming from the back of the field the other day to take the St Leger at 40:1.

A couple of weeks ago I wrote in encouraging terms about the new Jerwood Painting Prize – worth £30,000 to the winner – just as the work of the six finalists went on show. While not intended as a direct reproach and rival to the Turner Prize, it fills a gap in the programme, being confined to painters, of which we have in Britain an inordinate number, and whom in recent years the Turner selectors have largely ignored. The Jerwood is also open to artists of all ages – I mistakenly said the Turner age-limit is 40 when in fact it is 50.

And now, in Craigie Aitchison, we have the first winner, and I can hardly believe the judges could have done such a thing. For Aitchison is at once the most unexceptionable and unexceptional of the bunch, neither unpopular nor unsuccessful. It is the safest and, as I can now see with hindsight, the most predictable of results. By this very lack of controversy and adventure, the prize is damned.

Given the field the judges had chosen, here was a wonderful opportunity for them to make a powerful statement to the world at large on the current condition of British painting. Here too was the chance to establish the prize itself, at its inaugural test, as an event of the first importance. And they have blown it.

In the particular and personal case it is as hateful as it is unfair to pillory Aitchison himself, for he is an inoffensive and, in his own terms, accomplished painter. But it is the judges themselves who have thus set him up and exposed him. Do they really mean to tell us he is the one artist, not just of the final six but of the 250 who entered for selection, who now stands, by the judges' own criterion, for all that is truly excellent in modern British painting?

Do they really believe, in direct comparison with the other five, that he is still the best, with his decorative mannerism, his formulaic figuration, his subjective sentimentality? Better than Yuko Shiraishi, shall we say, with her no less seductive surfaces, but infinitely tougher commitment to her own minimalist abstraction? Better than John Lessore, whose apparent reticence is belied by the ever more ambitious scale and scope of his figure compositions? Better than that old war-horse of an abstract expressionist, John Hoyland, the one finalist to have achieved any international reputation and who, after some time in the doldrums, seems to be coming back to his true strength? And I did not think that even these were in with a real chance.

I made, and make, no secret of my preferences. Had they chosen Maurice Cockrill, the prize would have gone to a late and still fast-developing artist, one who has never been painting better and will surely soon be stepping out onto the international stage. And had they given it to Euan Uglow, they would have been giving it quite simply to one of the best artists working anywhere in the world today. Where others dissimulate or, at best, fudge an accuracy of scrutiny and statement, he achieves it. But they didn't, and I can hardly say how disappointed in them I am, at the opportunity they have thus thrown away.

I shall name names. Hilton Kramer, distinguished critic and editor of the New Criterion in New York who has been an enthusiastic supporter of Uglow in the past, is known to be deeply distressed at the result. So too is Judith Collins, a senior curator at the Tate. Here then are the other four whose fateful decision it was – Sir Peter Wakefield, late of the National Art Collections Fund, Anna Ford of the BBC, Lord Gowrie of the Arts Council, and my opposite number on The Sunday Telegraph, John McEwen. Oh dear.

Come back the Turner Prize, all is forgiven – well, possibly. Watch this space.

The Jerwood Painting Prize: Winner and Short List Exhibition; Royal Academy, Piccadilly W1, until September 28: sponsored by The Jerwood Foundation and The Sunday Telegraph, in association with Modern Painters.

The drama of intimidation

***Malcolm Rutherford** on three excellent fringe productions*

There is an electric new production at the Tricycle. Michael Henry Brown's *The Day the Bronx Died* starts with gunfire: a child being shot apparently without motive on a New York subway. Violence, physical and verbal, continues throughout, yet the piece passes a supreme test: never does it become violence for its own sake. This is a play about intimidation.

It is not a documentary, but cannot be far from fact. Here is the Bronx breaking up in gang warfare. There are two terrifying aspects. One is that the members of the gang are so young: it seems a matter of course to be sent a gun by your elder brother, who may be already in prison, on your 15th birthday and if you have it, you have to start using it sometime. The other is that intimidation works – even of the great and the good.

Even in gangland, however, there are redeeming features. Officer Bream goes about the business of maintaining law and order with apparent self-confidence, though then he is shot. People try to bring up families and educate them – in Mozart and piano competitions as well as baseball. Blacks and Jews rub along together. As Big Mickey explains, this is – or was – the melting pot.

Big Mickey (Ewen Cummins) is a black who has made it to a smart apartment and is now being wooed to join the Republican Party. On stage beside him is the young Mickey he was in the Bronx (Thomas Goodridge). Clearly the upward mobility was touch and go, literally a matter of life and death.

A great virtue of *The Day the Bronx Died* is that all this is presented without sentimentality, almost without comment. When the violence in the Bronx becomes too much, those who can simply move on. The gang in the play looks like an offshoot of the *tontons macoutes*, led by a boy called The Prince (Freddie Anobil-Dodoo). The most dramatic moment comes when Officer Bream (Alan Cooke) breaks the Prince's cane, but then of course, after slight hesitation, the boy feels obliged to shoot. No-one will give evidence against him.

Physical fighting comes about as close as you can get to the real stuff on stage and the piece is magnificently directed – and paced – by Gordon Edelstein. It deserves a wider outing.

★

Bronx seems topical, yet political trends can be cruel to the theatre. If *My Goat* – a play about hostages in Lebanon – had been first performed just a few years ago, it might have looked like a sparkling political satire. As it is, it comes out as a mixture of the macabre and the sentimental, but is still a fascinating piece, wonderfully acted at the Cockpit.

Michele Celeste, the Italian who wrote it, says that he took his original source not from the Middle East, but from Naples 1943, when Neapolitan women would pick up fleeing Germans as compensation for the loss of husbands and sons who had been transported by the Nazis. There developed a kind of transfer market in hostages, though there were also some emotional attachments.

Much the same happened in West Beirut in 1982/83, where the action takes place. There are only two characters. A pregnant Arab woman, whose husband has been kidnapped by one of the warring factions, is in charge of a European archaeologist, innocently caught up in the process of tit-for-tat hostaging. The goat remains in the background: a substitute child competing for food and being fattened up to be ready for selling.

If there is no symbolism in the names, it is a remarkable coincidence. The woman's missing husband is called Yasser (after Arafat?). The man's German wife is called Ulrike (after Meinhof?). And the German-Spanish archaeologist is called Carlos, a name to conjure with in the world of terrorism. Moreover, Carlos is played (superbly) by Jonathan Arun in an unmistakable Irish accent.

The Irish dimension adds to the strange mixture of the primitive and the sophisticated which seems to dominate Lebanon. When the woman thinks she has traded her hostage, she finds she is gazumped because the market for Frenchmen is higher.

The macabre comes in with the exchange of ears and little fingers as proofs of identity; the sentimental with a man and a woman locked up together. It is not very profound, but at times it is certainly haunting. Anna Savva as the woman has a memorable husky voice and is full of intensity. This is a fine performance. Burt Caesar directs and Tom Piper's set catches that sense of parts of the Middle East being permanently rebuilt and destroyed.

Mixture of the macabre and the sentimental: Anna Savva and Jonathan Arun in 'My Goat', a political play about hostages in Lebanon by Michele Celeste — Alastair Muir

★

The Royal Court has grown fond of cooking. A few months ago it stripped the stalls in the main theatre to revive Arnold Wesker's *The Kitchen*, though no food was actually served. In Joe Penhall's new play, *Some Voices* in the Theatre Upstairs, food is lovingly prepared and sometimes appreciatively eaten. The suggestion seems to be, as in Wesker, that cooking provides a kind of therapy.

Therapy matters, for *Some Voices* is a study in schizophrenia. The voices are heard inside the head of a young unemployed man called Ray. At times they drive him close to suicide or murder, and in one memorable scene to dousing the kitchen and himself with paraffin. Yet the voices can stop just as mysteriously as they start. Ray is saved, at least for the time being, by his elder brother Pete, the chef.

The piece is a remarkable mixture of violence and tenderness. I would guess that the references to schizophrenia have been carefully researched. Equally authentic are the scenes of drifting homelessness, of people who move in and out of mental institutions and those who survive on a mixture of crime and social benefits.

Despite the violence, it is the humanity that stands out. Movingly played by Lee Ross, Ray has a brief period of happiness with Laura (Anna Livia Ryan), a girl in tow to the flashy thug, Dave. Yet even Dave (Lloyd Hutchinson), who comes to a sticky end, has had his moments of feeling.

None of the characters, including Ives (Tom Watson), the old man who says he has come to like his mental home, is flat. Ives indeed has a scene of his own describing how the madness came upon him in an explosion at the gasometer where he worked: we never know whether this is true and nor does it matter.

Best of the lot is Ray Winstone's Pete in his soothing care of his brother. At first I thought this would be a dull part. It is a measure of the strength of Penhall's writing, however, that it grows to become dominant.

Penhall is a young playwright to watch. Ian Rickson directs and the production is sponsored by The Jerwood Foundation which specialises in the welfare of the young.

Music as a fashion statement

The South Bank's International Chamber Music season, which opened with a concert by the Endellion String Quartet and guests at the Queen Elizabeth Hall on Wednesday, has been image-brightened. One knew this from the orange, blue and pink spotlighting and the dim house-lighting. One knew it, too, from the players' studiously informal attire. It was made explicit in a programme-note, and its fatal consequences were sensed when Andrew Watkinson, the first violinist, stood up before the account of Beethoven's *Op. 127* quartet to tell us what a privilege it was to be able to perform such great music.

This mawkish spiel had the insidious effect of making us hear the Endellions being privileged rather than Beethoven's direct utterance. The hall was full and people surely had not come to have Beethoven sold to them. Not surprisingly, it was hard to assess the Endellions' interpretation of this piece. Extremely skilful, certainly, but not very startling or deep. Their account of Britten's early *Three Divertimenti* had been far more impressive, if only because a dazzlingly virtuosic handling of its wonderfully bare and simple textures is "all" that this music demands. Interestingly, the violist, Garfield Jackson, was playing the same instrument used in the premiere of the work's original version as *Alla Quartetto Serioso* in 1933.

This we learned from a chatty piece in the programme book, where the players gave their thoughts on the evening's music to Anthony Burton, and which confirmed one's impression that the concert and concert-series have been thoroughly Radio Three-d, which is to say, Classic FM'd. The appearance of Jean-Yves Thibaudet, pianist for Schubert's *Trout* Quintet (the double bassist was Duncan McTier), confirmed one's impression that music-making is becoming just another kind of fashion statement. His bejewelled suede slippers and seriously red socks threatened to draw attention entirely away from what his hands were doing; though his limber and very speedy dexterity in the gorgeous fourth movement – the famous bird-twittering, fish-leaping Theme and Variations – was a wholly musical adornment to the work; and the performance was altogether stylish, energetic and enjoyable.

Paul Driver

Video/Nigel Andrews

Confused question of censorship

In most places the end of summer is marked by slowing growth and the first signs of autumnal decay. But the home-viewing landscape is burgeoning suddenly into a vast, bewildering jungle.

There are exotic flora like Laser Discs and Digital Video, turning your TV room into a riot of hi-fi sounds and colours. There are the modest but multiplying sense-experiences available on normal video. And there are corners of complete and tangled confusion, like the current state of video censorship.

One recent development in this corner is worth note: the tendency for distributors to rush out large-screen (re)releases of controversial films while our censor dithers about video certification or our MPs haggle over what we can watch in the privacy of our homes.

Hence the recent reappearance of Quentin Tarantino's violent, powerful thriller *Reservoir Dogs* at cinemas near most of us. Another Tarantino work, *True Romance*, may do the same since that too has been lingering in the censor's office.

Since Tarantino's last film *Pulp Fiction* won the Palme d'Or at Cannes, and since a film adapted from a Tarantino story (*Natural Born Killers*) has been the talking point of the American movie summer, are British VCR-owners really happy to be subjected to this Mrs Grundyish nonsense? If not, they should make their voices heard while the debate lasts. And if Britain's powers-that-be will not hear them, perhaps the EC's will.

While some movies dawdle, others rush into the new formats. D.W. Griffith's seminal epic of world cinema *The Birth Of A Nation* (Connoisseur) may have taken 80 years to reach your VCR, also via recent censorship turmoils. But at least it means we can now travel at one bound to the origins of cinema. And you cannot stop glossier modern products like *The Firm* (CIC), *Aladdin* (Disney) and, soon, *Jurassic Park* (CIC) from jumping almost straight into your sitting room after large-screen exposure.

The Firm is this month's multi-format market leader. Already out on Laser Disc, it will have the first ever simultaneous release on VHS and Digital Video. The film is 2½ hours of John Grisham-based nonsense, with Tom Cruise battling a corrupt and murder-prone law firm. Entertaining: even if there is a low-aim inevitability about the choice of a proven catchpenny hit for this trend-setting multiple release.

We would hardly expect the honour to have fallen on a coterie masterpiece like Scorsese's Edith Wharton adaptation *The Age Of Innocence*. But Daniel Day-Lewis and Michelle Pfeiffer will soon be romancing it on Laser Disc. Nor on genuinely original movies like Brian De Palma's hallucinogenic murder mystery *Raising Cain* (on video only from CIC) or on the Terence Davies Trilogy (ditto, Connoisseur), a haunting 1970s apprentice work from the British maker of *Distant Voices, Still Lives*, or on Peter Greenaway's *The Falls*.

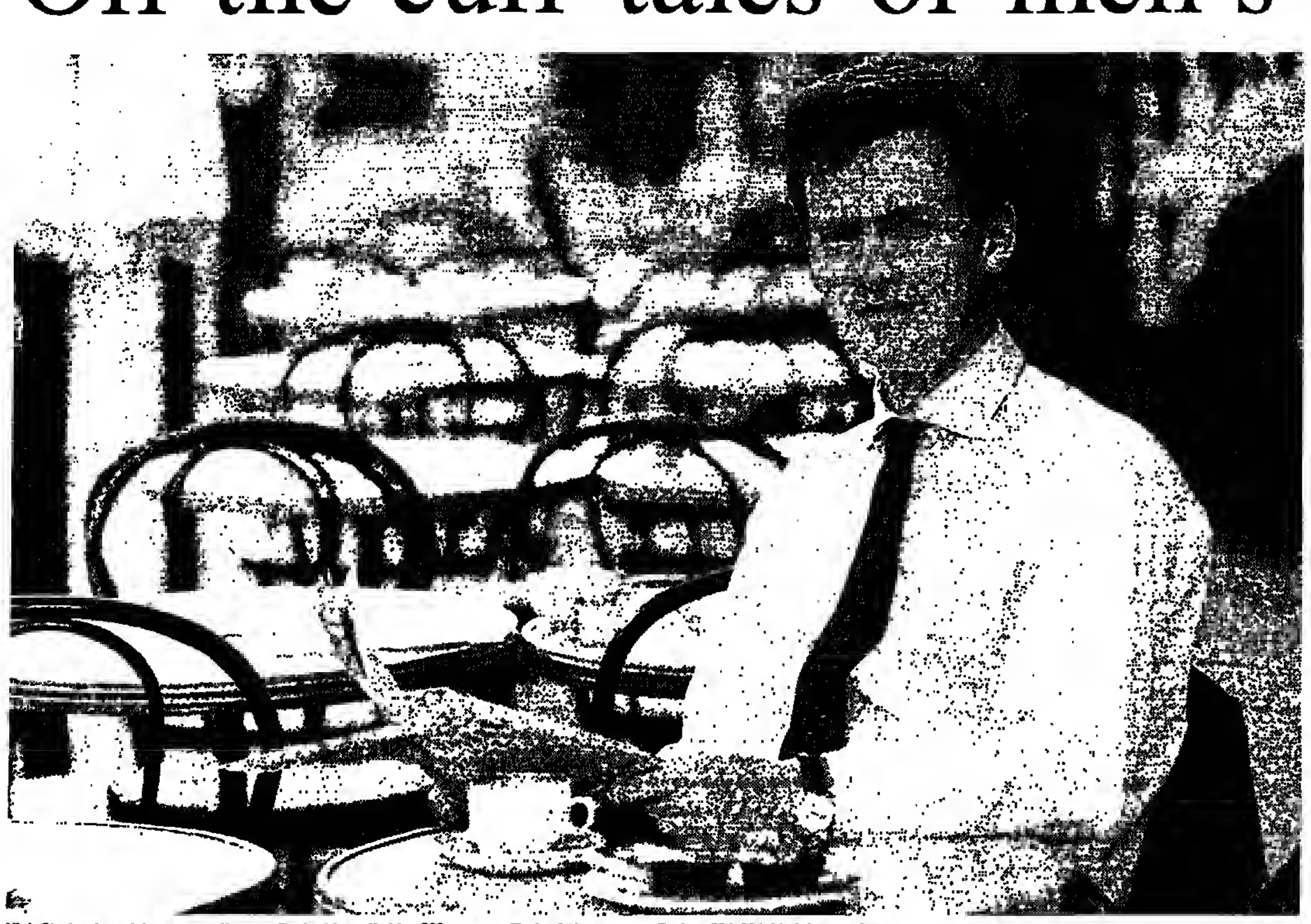
This last, also from Connoisseur, is the pick of the month. You will be old and grey before it gets to Digital Video or Laser Disc, but you should try it now on VHS. It was the longest and greatest of Greenaway's pre-feature films before fame came with *The Draughtsman's Contract*. I almost said his "nonfiction" or "short" films. But both terms would be violent misnomers. *The Falls* last three hours and its joke-documentary form – stories about a group of mysterious accident victims whose names all begin with "Fall" – is as fictive as you could get without being arrested for aesthetic fraudulence. But relish Greenaway's gleaming surrealist visuals, the po-faced epigrams of his narrator and the wondrous flair for briskly wagging shaggy-dog tales.

The release of *The Falls* also proves that while other home-viewing systems may offer state-of-the-art sound and vision, you can still only get state-of-the-art art on VHS. That is: if our censor allows.

Chess No 1040: 1 Nc4 (threat 2 Ne3). If Kxc4 2 Qxb5, or Rxc4 (or bxc4) 2 Qd6, or Qh3 2 Bf7, or Rc6 2 Qxc6. Most of the experts fell for 1 Nc6? Rd7!

FASHION

Off-the-cuff tales of men's shirts



Nick Straker in a rich cream cotton poplin double-cuff shirt, £38, woven silk tie, £36 both from Boden, 081-964 2662 for brochure

Nick Straker, stockbroker with Morgan Stanley: "I go to work very early and often dress in the dark. So I choose plain shirts which won't clash with whatever tie I've picked up. My suits, which are tailor-made, are mostly plain and single-breasted. I avoid City fads like really baggy suits or bright pink shirts, though there is now an interesting trend towards pale yellow. I like long shirts with plenty of tuck-in and room under the arms. Double cuffs look smart, with plain collars – working for an American firm I consciously don't adopt the preppy, button-down look. I shop for myself but I also like mail order. I discovered Boden do extra long fittings and I have arms like a gibbon. Their shirts are high-quality traditional and I enjoy receiving parcels.

My wife occasionally buys me a shirt. She is more adventurous."

***Avril Groom** considers the vexed question of choosing the correct shirt*

Shirts are subject to the subtle whims and codes which groups of men devise to make themselves distinctive.

According to Sir Hardy Amies, writing in his book *The Englishman's Suit*, the shirt is now "the fashionable, status-enhancing garment" for men. Yet a surprisingly large number of British men apparently let their wives buy their shirts for them.

Research by Van Heusen, which aims to overturn its staid image this autumn, with a new range including both traditionally-made City-style shirts and modern, more relaxed designs, divides shirt-buying neatly into thirds.

Some 34 per cent of all men's shirts, it found, are bought by women. Another 34 per cent are bought with a woman present, or at least with her approval. The rest are bought by men alone, for reasons of speed, getting a better fit or, most tellingly, not wanting to be pushed into something unsuitably trendy.

Men who shop alone are particular about detail and more likely to buy the 3 per cent of shirts which cost more than £45.

More than half of the shirts purchased in the UK cost between £15 and £30 with Marks and Spencer alone accounting for one-fifth of the market.

Chain and department stores are more likely to be the haunt of the shirt-buying woman, probably while she also shops for herself. A man is more likely to go to a specialist or designer shop.

A straw poll of professional men with a sharp eye for a good shirt, showed only a minority who sought their partner's advice, let alone expected her to buy their shirts. But the men come in two very distinct categories: the traditionalist and the trend follower.

The traditionalist shops when his old shirts wear out. He goes for good two-fold cotton and quality details. Once he finds a suitable source he sticks with it.

This includes mail order sources, as upmarket brochures from companies such as James Meade or Boden testify. In this case, wives often make the final choice and order.

James Meade (tel: 0264-333222 for brochures) estimates that 20 per cent of its sales are by this method and Johnnie Boden reckons "togetherness" is a plus for mail order, less stressful than shopping *à deux*.

The trend-follower, on the other hand, is aware of labels and fashion conscious. He is likely to spend time window-shopping and retires his working shirts as painting smocks, not because they are worn out but because he has gone off them. He is likely to work in a less conservative profession and is adept at bringing individuality to the suit-shirt-tie uniform.

Both groups demand style and lasting value, and their main gripe about cheaper shirts is their limpness after a number of washes.

The debate about easy-care cotton and fused collars (where the interfacing is ironed on to the collar fabric which makes ironing easier but may eventually distort the smooth line – Van Heusen fuse, Thomas Pink and Boden do not) is a sideline as few shirt enthusiasts launder at home.

Small changes do not go unnoticed – traditionalists admit that the appearance of an unusual collar shape or shirt colour in the office still causes comment. Even the trends followed by the fashion-conscious point to classic looks – subtle checks, textured self-coloured weaves, button-down collars.

In the world of the working shirt, tiny changes can be talking points. Because men now work jacketless, Van Heusen puts a pocket for pens even on its most traditional, double-cuffed shirt. Some men love it, others feel a plain front looks more professional. But there is, as Daniel White, the company's marketing executive, says, "a loosening up, a move towards individuality.

"The 1970s were the great shirt years with a huge variety of shapes and patterns. The 1980s boom brought a uniform – power stripes and double cuffs. Now people want a more personal touch but it should be subtly done."

To test the thesis, we record the views of four keen shirt buyers, none of whom owns fewer than 30. Each clearly belongs to his own, mutually-recognisable club.

Photographer: Brendan Corr

Dean Marsh wearing a red and white check cotton shirt, £52, tweed suit, £365, tie, £39, from Cordings, Piccadilly, SW1

Dean Marsh, music business solicitor with David Wineman: "Because my clients are unconventional I get away with more than most lawyers. I like a stylish but informal, faintly Italian look. I have several suits by Oswald Boateng and this green tweed one from Cordings, a shop so traditional it has become trendy.

"My problem was how to stop the suit looking too countrified – I always buy clothes with the overall effect in mind. My girlfriend's sense of style helped choose the shirt. Checks are slightly informal but red is a town colour and the traditional collar and double cuffs are smart. If I go for a drink with clients, this outfit is acceptable in some clubs where a straight City suit would not be. But I wouldn't wear it in court."

John Rink is wearing a green striped cotton double-cuff shirt, £42.50 from Thomas Pink, Blomfield Street, London EC2 and Jermyn Street, London SW1 and branches with a silk tie from Hermès

John Rink, managing partner at Allan and Overy, City solicitors: "I shop for myself because I know what I want and my wife, who works, has no time. I go to specialist shops such as Thomas Pink where I would expect the fabric, finish, length and so on to be to the standard I require. Quality is more important than price. My usual style is double-cuffed with a partly cut-away collar, in really good, striped cotton and a comfortable fit without bagginess. This gives the professional look clients expect and looks smart in the office without a jacket. I don't attempt to be fashionable but ties can make a statement. My shirts last well and are professionally ironed. I restock when they wear out, or at sales. Shopping in the City is convenient."

Alan Wilkinson-Marten in a button-down shirt in biscuit cotton twill by Van Heusen, £37 from Selfridges, Oxford Street, W1, Fenwick, New Bond Street, W1, Andrew Houston of Carlisle and Watson Prickard of Liverpool

Alan Wilkinson-Marten, architect, associate at Norman Foster and Partners: "I buy for myself because I'm single but anyway I love browsing in the Kings Road and Covent Garden.

"Quality and style are important. A shirt should be very simple – easy-fitting, finely-stitched in good cotton with interesting buttons. As I like plain white shirts, these details are important. I pay more to get the right design. Adolfo Dominguez is my favourite but I like the very subtle patterns and good make-for-price of the new Van Heusen range.

"I work with sleeves rolled up so double cuffs are not on. Jacket and tie are not necessary in the office but for outside meetings a shirt must look good under an unstructured, Italian suit. For work in the Far East, a white shirt and jacket is the convention. I take cheap, short-sleeved ones but they don't last long."

Italians add style to vibrant streets of London

***Lucia van der Post** finds that business is booming and that upmarket foreign companies are flocking to England*

The official news is confusing – retail spending down, interest rates rumoured to be rising, the stock market falling – but no-one seems to have told *the shoppers* on the choicer streets of London. They seem to be responding to an eotirely different beat. There is an infectious sense of optimism about. New shops are opening all over town. In certain stores some of the winter lines have completely sold out and the end of September is only just in sight. So what exactly is going on?

What seems to be happening is that there are pockets of great prosperity and success. Those who *realised that there* was more to the last recession than just the fact that many of us had less to spend, that there had been a sea-change in the way most of us viewed the world, and addressed that shift in perception *seriously*, are beginning to reap the rewards.

The key to success in the 1990s seems to be value for money – the absolnte price scarcely *seems to matter. High* price-tags can move as fast as low ones provided they are perceived to offer real valuc.

All over town, restaurants that get the formula right (Joe Allen, The Ivy, Christopher's, Aubergine) are packed out, clothing lines that have a certain pizazz as well as attractive prices are sold out, everywhere the special, the out-of-the-way, the quality *ranges are doing well. Get* it wrong and you might as well send straight ont for Cork Gully.

Much of the newly buzzing atmosphere has to do with the fact that the big department stores are falling over themselves to tempt the customers in – revamped buildings, personal shopping suites, free coffee and newspapers for the gold card set, new lines, special offers, exclusive ranges.

Harrods, Selfridges, Dickins & Jones, Liberty, Harvey Nichols are engaged in a bitter struggle for our hearts and purses and there is nothing like competition for improving the quality of the end product. New deals are being struck, exotic designers wooed, adventurous services broached.

And it is not jnst the department stores – all along Bond Street the builders are busy, the skips are full, once deadly Madame shops are being replaced by liveller, more contemporary, sharper names.

The scene is also being enlivened by an influx of *foreigners* casting a concerted vote of confidence in London's importance as a sophisticated centre of shopping and bringing more than a touch of European brio to the scene.

The last few weeks have seen a non-stop celebration of Italian style – from the *haute* sophistication of the menswear lines of Ermenegildo Zegna and the fastidiously refined stationery of Pineider to the eminently wearable ranges of Genny's womenswear and the streamlined artefacts of Bugatti.

Some of the names will already be known to you, some have had a small presence in *London for some time* but now that they have tested the water are encouraged to plunge in deeper while others, such as Pineider and the new Bugatti range, are complete newcomers. Here, then, on this page is a taster of what some of them have to offer.

The Genny look for winter: short wrap A-line skirt in grey marled tweed, £145 with matching short gilet, £275 and longer black wool gilet, £430. Underneath is a fine black polo-necked body, £305 and the boots are £315.

GENNY is an Italian label that does not bave the high profile of a Versace or an Armani but has become a favourite with many a busy, working woman as well as with some of the more lively glitterati of the Italian social scene. Monica Vitti, Princess Pignatelli and Isabella Rossellini are just a few of Genny's fans.

For some time a small selection from the line has been available at Browns of *South Molton Street* and *at* Harrods but this week Browns has given Genny a separate shop at 18, South Molton Street, London W1 where a much broader range of Genny can be seen.

Besides her beautifully soft and understated suits for day which many a working woman *adopts with a sigh of relief* there are some delicious pieces for the evening – simple empire-line velvet dresses *(around £400) and some flirty* double-layered chiffon numbers in chocolate brown or black (£600).

The hallmark of her collection is its simplicity and a new-found softness – many of the pieces are ageless and could become the main prop around which a wardrobe could be built.

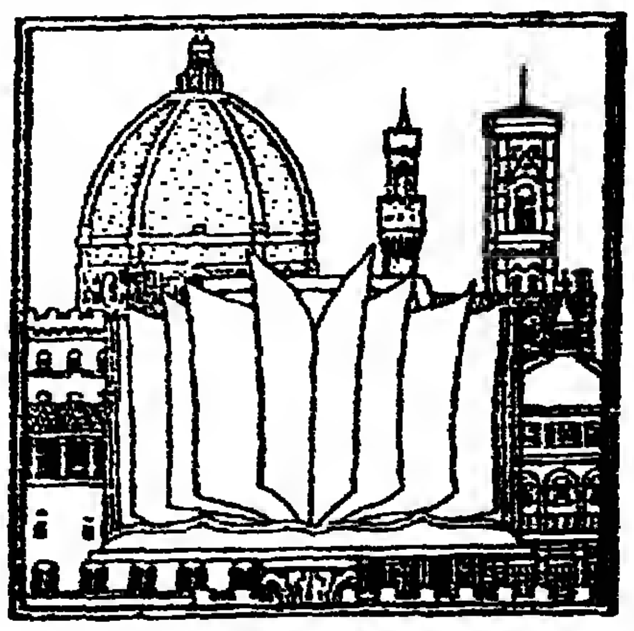
The picture, above, perfectly sums up this winter's day-time look.

Zegna style: Checked waistcoat, from a large selection, starting at £115; cashmere tie, £70; cashmere scarf, £125; two front-pleat cotton trousers, £125 and cashmere and linen mix shirt to order

ERMENEGILDO ZEGNA, the Italian menswear company, has for some years had a seriously sophisticated shop in Bond Street purveying its own high quality menswear. *This* week it opens another shop in Covent Garden (42, Shelton Street, London WC2) with the younger, slightly less formal *man in mind. While* the Bond Street shop concentrates on the more structured, "sartorial" lines, in Covent *Garden there is a beautifully* relaxed line of what Zegna calls its "soft collection".

Zegna defines soft as "wearing pants in cotton or *Donegal, mixing them with* a nonchalant, easy checked or windowpane jackets" or soft could be an "updated jacket, unstructured with lowered *shoulders and shirt sleeves."* The picture above shows exactly what "soft" is all abont – that Italian gift for combining garments to create an air of understated chic.

It has nothing to do with skimping on quality. All the fabrics are designed and manufactured by Zegna. It has everything to do with attitude, with wanting to wear more relaxed, more comfortable clothes. Aiming at the younger man, the new shop will have slightly lower prices – wool suits will average about £550, jackets start at £395.



An early bookplate from the Florentine stationer Pineider

IN ITALY, a country renowned for its paper and stationery, Pineider is the must distinguished name of all. No young person *de buono famiglio* is launched upon the world without a set of beautifully engraved visiting cards, each one interleaved with *tissue* paper, from Pineider. In good bourgeois and aristocratic homes a leather-bound visitors' book from Pineider sits upon a console table. The Pope has bought all the Papal stationery *from Pineider* almost since the very beginning (1774).

Pineider was started in Florence, an essential stopping-off point in the Grand Tour. In those pre-telephonic days fine writing paper, inks and pens, mattered. People of distinction bought them at Pineider.

Most of the range can be *seen and bought at The Mirabilia* Italiae at 16 Royal Arcade, Old Bond Street, London W1 – look for the beautiful visitors' books, the photographic *albums*, the *stationery*, the cards. The famous engraving service will start in about a fortnight.

Silk scarf with classic Bugatti motif, £125

BUGATTI is one of those names that resonates through the years even for those who *have never seen one of the* legendary cars. Bugatti, we all know, stands for class, for cars that are the stuff of dreams.

Though it is well over 100 years since the Bugatti story first began, it was only three years ago that the family decided to create a range of products that would draw on the impeccable image and standing that Bugatti had throughout the world.

The earlier generation of Bugattis were astonishing *designers. Father Carlo* turned out hundreds of drawings for everything from furniture to silver and glass, while Ettore, who designed the unforgettable cars, *also* turned his hand to ships, aeroplanes and trains. With this rich archive to draw on the family decided to open a design studio in Ora, near Bolzano in Italy, and begin a modern, rejuvenated launching of Bugatti products.

Almost everything the Bugattis do is linked, however *tenuously, with the romance* and glamonr of motoring, harking back to its golden days. Luxurious wraps of cashmere backed with softest *suede* are perfect for keeping delicate bones warm whilst driving in an open-topped car. Soft suede motoring trousers have subtle extra curving seams which can be let out so that there is plenty of room for the knees to bend and the trousers retain their shape.

There are warm gilets, of softest *suede* or leather, exquisitely made, which by virtue of skilfully placed zips also double up (yes, seriously) as shopping bags or knapsacks. *There* is a beautifully designed shootingstick-cum-umbrella and, of course, obligatory motoring accessories such as sun-glasses (Zeiss lenses in anti-glare tempered crystal and flexible hinges – all *very* sleek), watches (Ettore Bugatti used to present watches to his victorious drivers), pens and *leather goods.*

Bugatti handbag, designed by Ettore Bugatti for his wife in the 1920s

The Bugatti hand-bag is one of *the* few long-established products. Ettore Bugatti designed it for his wife, it was made for him by Hermès and has been a classic ever since. At the new Bugatti shop the basic design is untouched but two-tone versions in racing colours, for instance, can be ordered. The locks are in the shape of the car radiator.

This may read like the stuff of every would-be luxury goods house but the quality and the attention to detail is exceptional. Leather notebooks, wallets and albums, for instance, have beautifully hinged covers so that the leather does not wear out. Metals are carefully worked, fabrics the finest possible. Prices, of course, are not low – the cashmere and suede rugs are £1,600, the Bugatti bag starts at £808 but silk ties enlivened with motifs of old cars are just £48. The new Bugatti shop is at 20 Beauchamp Place, London SW3 and – for serious *collectors of special cars – the* first new Bugatti car designed since 1952 is available (for £285,000) from the Bugatti showroom at 49/51 Cheval Place, London SW7.

FOOD AND DRINK

Broking bread, 90s style

Where there's a product, there's a market – and our daily bread is no exception, says ***Nicholas Lander***

How the customer forms his or her first – and perhaps most lasting – impression of a restaurant is a question which all chefs must address.

The key criterion for me is the bread. Invariably, if the restaurant offers good bread, the rest of the meal will be a pleasure.

Yet, like all the seemingly simple things in life, offering fresh, appetising bread twice a day presents chefs with one of their biggest challenges. A challenge that incorporates culinary skills, logistics, timing and cost appraisal.

At a busy restaurant, such as The Greenhouse in west London, the annual bread bill is £25,000, an outlay which does not generate any obvious profit. Supplying bread to restaurants is a highly competitive business in which suppliers are judged by the quality of the last delivery.

Ideally, all chefs would like to bake their own bread but, aside from a shortage of skilled bakers, bread-making requires kitchen space and time. The dough has to be mixed, rested, proved, moulded and developed before being cut, baked and rested again. To be ready for the lunch service this work must start at 7am and be repeated again in the late morning for the dinner service.

In south London, Gordon Ramsay, the chef at Aubergine, Park Walk, London SW10, has decided that he will bake his own bread, some 160 rolls a day, and is already aware of one of the pitfalls – that the staff might eat it before it even reaches the restaurant customers.

Other chefs who bake their own include: Pierre Hoffman, at La Tante Claire, in Royal Hospital Road, London SW3; Sally Clarke, of Clarke's in Kensington Church Street, London W8, who now has a separate bakery in Notting Hill Gate; and Michel Roux, at The Waterside Inn, Bray, Berkshire.

Until the early 1990s chefs had two other possible sources of bread. The first was to deal directly with a commercial bakery and the second to buy in partly-cooked bread.

But, however good the quality, it does mean that the first food a customer eats is made outside the restaurant. And because there is usually only one delivery, bread that has been made at 5am and delivered at 7am will be offered as late as 10pm to a customer.

To some extent the problem can be solved by using part-baked rolls and breads which are pre-cooked and warmed immediately before serving. But these rolls are bulky and present considerable storage difficulties for a small kitchen.

A new option for chefs presented itself in 1990 with the formation of Gail Force, London's first "bread brokers".

It was founded by Gail Stephens, who grew up in Israel, trained in catering at Westminster College and went on to cook at the Garrick Club, in Covent Garden, London.

A chance encounter at a food exhibition in Wembley, north London, with a specialist baker who was unable to supply all the interested outlets, led Stephens to realise that here was a market waiting to be established: uniting London's small new bakeries with the increasing number of chefs and delicatessens who wanted to offer high-quality freshly-baked breads.

To make this market requires expertise and dedication.

Stephens' day begins at 3.15am so that she can meet her drivers at Park Royal, in west London, at 4am. All the orders for the various breads are then made up. Traditional Italian breads, *pugliese*, *ciabatta* and *grissini* are boxed alongside English farmhouse loaves, while French *ficelles*, *baguettes* and *boules de campagne* nestle next to Jewish *chollas*.

The best, from the ovens of Bakoven, in Coburg Road, London N22, Neal's Yard, in Covent Garden and Beverley Hills Bakery, Brompton Road, London SW3, which makes American muffins, are then on their way to the tables of the capital's restaurants and delicatessens, such as Riva, in Church Road, Barnes and Randall & Aubin, in Soho.

Stephens' comments on her work are succinct. "It's a crazy business. Most of our customers are in central London but rents and rates there are prohibitive. We have to work on the periphery and organise our deliveries as best we can. Every half hour lost at the beginning of the day results in 1½ hours delay at the end of the morning.

"Every chef wants their bread delivered at the same time, never later than 7am, and they all want the best quality at the lowest price. I can offer a delivery of a second bake in the afternoon but that is no guarantee that I will keep the business.

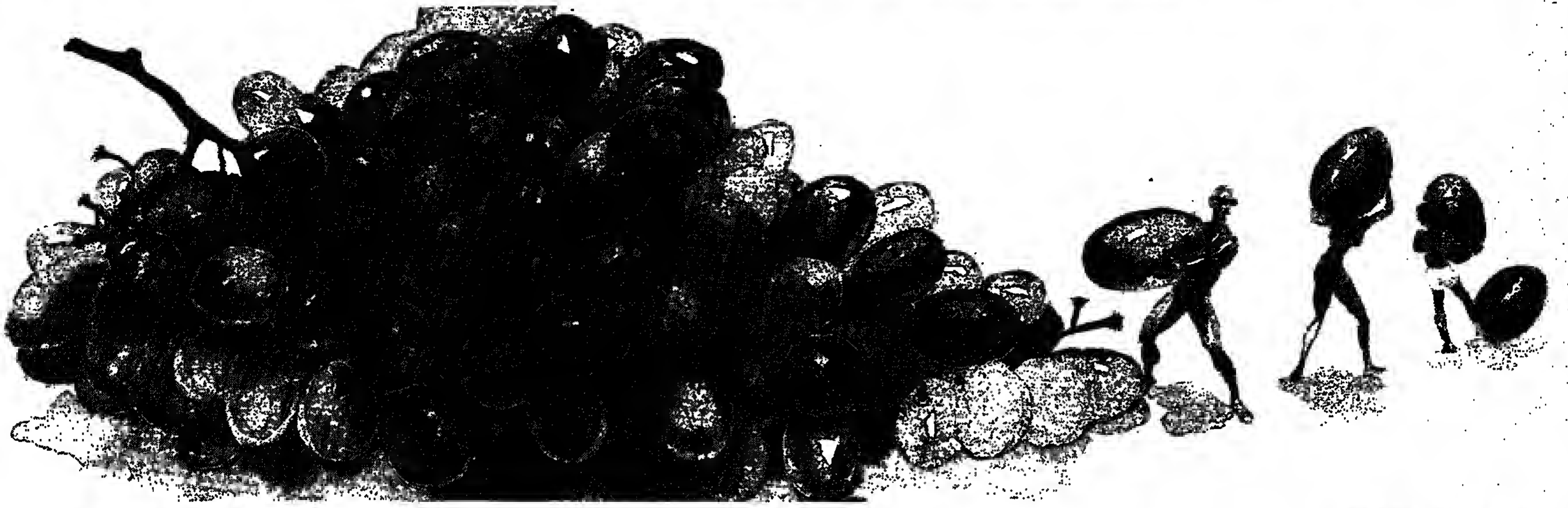
"One late afternoon Quaglino's needed 500 rolls and I drove through London with them straight out of the oven. There was so much steam that I had to roll the windows down to see where I was going. Quaglino's got their bread but shortly afterwards I lost their account."

Stephens believes that the "bread revolution" which Britain has undergone over the past five years will continue and the only way forward is to pursue quality.

She has now invested in the baking skills of Philippe Dadé and his new bakery, The Bread Factory, in Stanmore, Middlesex, which will bake three times a day, at 4.30am, 9.30am and 3pm, and whose rolls are already gracing the tables of the Ritz and the Inn on the Park in central London.

In spite of all the inherent problems Stephens is delighted to be dealing with a product that is so fundamental to the enjoyment of a good meal and our general well-being. She would like to see a baker's skills more widely appreciated, to be able to operate on bigger margins herself and find the one supplier missing from her price list – someone who makes particularly good doughnuts.

■ Gail Force, 336 West End Lane, London NW6 1LN. Tel: 071-431 5469, fax 071-431 6725.



Cookery

In the grip of the grapes

They're at their best just now, says ***Philippa Davenport*** *– and the luscious Italia variety is best of all*

Grapes are a best buy in Britain just now, and best of all are the sort called Italia. They can be black or white and many countries now send supplies to the UK but, for my money, only white Italia grapes from Italy are truly enticing. The fruit from other sources never seems half so plump, muscat-sweet and fragrant.

While the season lasts, I am happy to eat these grapes round the clock. For breakfast, I will tuck into a bunch on its own, or halve and seed a handful of the fruit to add to a bowl of yoghurt, together with a few almonds and perhaps a drizzle of honey.

For lunch, what could be better than a hot, lightly-curried chicken or fish broth aromatised with lemon grass, poured over a spoonful or two of steamed rice, and finished with a floating garnish of soured cream crowned with a few peeled grapes for a cool and silky contrast.

One of my favourite salads at this season combines grapes with prawns, the latter seasoned with toasted and ground coriander seed and torn basil leaves and laid on a bed of shredded Little Gem lettuce. Also excellent is a salad of creamy, mildly tangy goat's cheese with cos, Italia grapes and toasted pine kernels.

In France, a typical *bonne bouche* of the grape-picking season consists of chicken livers *sautéed* and tossed with a few peeled and pipped grapes, warmed in butter with a splash of wine and served on soft rounds of toast.

Delicious for a snack lunch or as a fairly substantial appetiser at dinner.

Those who prefer fresh fruit and compôtes to puddings proper may share my enthusiasm for an end of summer fruit salad made simply with sliced bananas, halved and seeded grapes, plus plenty of freshly scooped melon balls dressed in a light lemon or lime syrup infused with a couple of sprigs of mint.

VENDANGE CHICKEN
(serves 6)

Soothing and pure, this is a practical choice for a small party as most of the work can be done ahead. But be sure to re-heat the chicken only briefly, as described. That way, the meat will remain succulent and fresh. Prolonged re-heating always risks over-cooking poultry, making it stringy and dull.

The chicken poaching liquor is re-used here to produce a copious quantity of intensely flavoured sauce. Make the most of it by serving the bird in a generous ring of rice that will soak up every drop.

Ingredients: a high-quality roasting chicken weighing about 4 lb; 6 oz white Italia grapes; 2 glasses dry white wine; a bunch of fresh tarragon; ¼ pt double cream; 1 oz butter; 1 oz plain white household flour.

Wash the chicken and put it into a flame-proof pot, preferably oval, which will hold it snugly. Pour on enough hot, not boiling, unsalted water to cover the thickest part of the thighs. There is no need to immerse the breast. Cover tightly and poach gently for 50-60 minutes.

Transfer the covered pot to a sink containing enough cold water and ice cubes to come halfway or more up the sides of the pot. Leave the pot in the sink for about three hours, replenishing the cold water and ice cubes from time to time to speed the cooling process.

When the chicken is cold, strip off and discard the skin. Lift the flesh from the bones, wrap it in grease-proof paper to keep it moist and refrigerate it. De-grease the cooking liquor, return the bones to the pot, half cover and simmer until reduced to 1-1¼ pt intensely chickeny stock. Season, chill and de-grease again. (Do everything up to this stage the day before serving.)

Boil the wine until reduced by half, then mix it with enough stock to make about 1¾ pt in all. Make a sauce with the butter, flour, stock and wine mixture, with cream and seasonings to taste. Cover to prevent a skin forming and set aside. Cut the chicken into bite-size, quill-shaped pieces. Halve and seed the grapes; peel them if you wish. Chop some tarragon.

Shortly before serving, bring the sauce back to simmering point. Add the chicken, cover, and simmer very gently for eight-10 minutes. Stir in the grapes and tarragon. Switch off the heat, cover and leave to stand for five minutes. Check seasoning, pile into a ring of boiled rice, and decorate with tarragon.

Liqueurs/**Giles MacDonogh**

Give me a Hot Monk

Giles MacDonogh rediscovers the joys of a sticky winter drink

Tastes change. In the late 19th century sweet liqueurs were all the rage. It was a time when the idle rich drank themselves to death on powerful, sugary brews such as green Chartreuse or Bénédictine.

In the German painter George Grosz's autobiography we learn that even the inhabitants of Pomeranian Stolp, now Polish Slupsk, could, for as little as a mark, obtain powders which transformed crude schnapps into Chartreuse or Bénédictine. Later as an art student in Dresden Grosz met a dreamy former schoolmaster who introduced him to *Klosterlikör*, which looked like "thick, yellow glue" and tasted like a blend of brandy and syrup.

The pot-bellied bottle's colourful label and imitative seal gave the impression that it had been culled from some monastery or other. "The image of a fat, chummy monk drank our health."

If the number of imitations is anything to go by then Bénédictine must have been one of the most popular drinks in the world on the eve of the first world war. In the Palais Bénédictine, in Fécamp, northern France, there is a vast pyramid composed simply of counterfeit bottles drawn from every corner of the globe. I presume that somewhere in that heap is the bottle which Grosz enjoyed in his art school days while he put the world to rights with his friend.

Bénédictine was the bright idea of a Norman wine merchant called Alexander Le Grand. He came across the recipe for a monastic elixir apparently invented by a Venetian monk at Fécamp Abbey in the early 16th century. Le Grand reworked the recipe giving it that sweet, viscous quality which was the most memorable aspect of German imitations.

In 1863 he launched Bénédictine. It was an overnight success. Three years later he founded a public company to sell the liqueur. In 1881 it was quoted on the Paris bourse.

By the turn of the century Le Grand had made such tremendously big profits that his humble house had metamorphosed into a little Chambord, stuffed to the oesophagus with works of art harking back to the age of those self-same monks who had contributed so unwittingly to his fortune.

Ne'er-do-well sons and French succession laws wrought the usual havoc. Bénédictine was eventually bought by Martini vermouth which was, in its turn, swallowed up by Bacardi rum.

The drink, we are told, is much the same. It is made from 27 different herbs and spices: aloes, ambrette (a sort of amber-like hibiscus derivative), angelica, apricot kernels, arnica, maidenhair fern, melissa, cardomom, cinnamon, cloves, coriander, hyssop, juniper, lemon peel, myrrh, nutmeg, pine kernels, saffron, tea, thyme and vanilla.

From these wonderful ingredients a number of distillates and flavoured alcohols are made which are subsequently assembled together with syrup and honey (to give it the sweetness) and saffron and caramel (to give it colour). The brew is then heated and aged in cask. It takes about two years to make a bottle of Bénédictine.

Few people like the taste of neat Bénédictine these days. It is a little like drinking liquid gingerbread. In America the most popular way of consuming the liqueur is with brandy (a B and B) and the company now bottles a ready-mixed version which accounts for a large percentage of sales in the US. The brandy goes some way towards cutting the sweetness of the Bénédictine.

Bénédictine also combines well in cocktails. One of the more successful long drinks I tried in the bar of the Palais Bénédictine was with a good slug of Bénédictine combined with half orange and half grapefruit juice.

Bénédictine is apparently popular in some parts of Lancashire where it is drunk with hot water in a drink called "Benny and Hot". Sometime during the first world war a Lancastrian regiment was removed from the Western Front and sent to recuperate near Fécamp and this curious brew was born. Better, I think, is a Hot Monk which involves pouring hot lemon juice over Bénédictine in the manner of a toddy. Best of all, I've found, is a Scotch Benny: a blend of 50 per cent Bénédictine with 50 per cent blended Scotch whisky. It is the perfect winter warmer.

Appetisers

Fine Pinot Noir at £4.99

Not long ago 'affordable Pinot Noir' was rightly regarded as an oxymoron. Today it is quite possible to find charming, fruity, if relatively lightweight, Pinots from California for less than £5.

Oddbins has done more than most to track them down and its Havenscourt Pinot Noir at £4.99 has considerably more interest (and less obvious sweetening) than most.

But now they can also field a fine Pinot Noir at the same price from Chile, previously terra incognita as a source of delicate Pinot fruit. Hearty congratulations on Cono Sur Pinot Noir at £4.99 which shows all of the jewel-like appeal of simple young Pinot.

The Reserve version is £5.99 and is also stocked by Tanners, of Shrewsbury, Shropshire, but at the moment the cheaper wine is the more charming. (I assumed that *Cono Sur* was a pun, which only goes to show my ignorance of Spanish: it means 'southern cons' apparently.)

Jancis Robinson

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An indication of how strongly the restaurant industry is growing is provided by the first issue of *Tandoori*, a magazine for the 7,500 Indian restaurants in Great Britain. It is now estimated that there are more Indian restaurants in the UK than in Bombay or Delhi.

The magazine, founded by Karan Bilimoria, who established the successful Cobra Indian beer brand in the UK and its editor, Iqbal Wahhab, who set up East West Communications, to promote the growth of ethnic foods, includes features on how to market a tandoori restaurant and how Bangladeshi cuisine may develop in the UK.

The publishers will no doubt be hoping to emulate the success of Patak, a company which makes Indian spices in Wigan, Lancashire and was named by *Marketing* magazine as the fastest growing brand in the UK last year with a 92 per cent growth in retail sales.

Nicholas Lander

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Wine lovers should take advantage of the extremely serious wines Italy has been able to produce from recent vintages. Lea & Sandeman, of Kensington Church Street, London W8 (071-221 1982) has a special offer of 1990 Super-tuscans, of which Il Pergole Torte is a star at £21.74 while Oddbins Fine Wine Shops have fallen in love with Rocca Albino's 1991 Piedmont range, including two stunningly seductive Barbarescos, Vigneto Loreto at £12.99 and Vigneto Brich Ronchi at £13.99. *JR*

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Following the opening of its organic wholefood shop in Yaohan Plaza, Colindale, north west London, the Japan Centre group has opened another shop in the capital at 212 Piccadilly.

Foods include: organic shitake mushrooms, tofu, fresh seaweed, sun-dried fish and squid, green and wheat tea, bonito flakes, noodles, pickled vegetables, seasonings, dressings and vinegars.

Also available are sea vegetables such as nori (for sushi making) and instant wakame for miso soup. For those who want to give raw fish a miss, vegetarian lunch-boxes are freshly made to take away. Also on sale are Japanese bowls and cookbooks.

■ The Piccadilly Wholefood and Bookshop is open seven days a week Mon-Sat 10am-7.30pm and Sun 10am-6pm.

Jill James

TELEVISION

SATURDAY

BBC1

7.00 Lassie. 7.25 News. 7.30 Pingu. 7.35 Happy Birthday. 7.45 Marlena Marlowe Investigates. 8.05 Albert the Fifth Musketeer. 8.30 The New Adventures of Superman. 9.15 Live and Kicking.

12.12 Weather.
12.15 Grandstand. Introduced by Steve Rider. Including at 12.20 Football Focus: European Cup preview. 1.00 News. 1.05 Motor Racing: The final qualifying session for the Portuguese Grand Prix. 1.25 Racing from Ascot: The 1.30 Diadem Stakes. 1.40 Motor Sport: The concluding rounds of the British Touring Car Championship. 2.00 Racing: The 2.05 Fillies' Mile (Old Mile). 2.15 Motor Sport. 2.35 Racing: The 2.40 Tote Festival Handicap and 3.25 Queen Elizabeth II Stakes (Old Mile). 3.45 Football Half-Times. 3.55 Racing: The 4.00 Royal Lodge Stakes (Old Mile). 4.10 Athletics: World Half-Marathon Championships from Oslo. 4.40 Final Score. Times may vary.
5.15 Cartoon.
5.25 News.
5.35 Regional News and Sport.
5.40 Stay Tooned!
6.10 Bruce Forsyth's Generation Game. Bruce Forsyth, assisted by Rosemarie Ford, introduces another edition of the family game show.
7.10 Challenge Anneka. Anneka Rice attempts to convert a disused fishing boat in Holyhead into a play area for children in the Lake District.
8.00 Casualty. New nurse Jude offers advice to a victim of multiple sclerosis, and a rookie policeman's career is put on the line after what appeared to be a routine arrest has tragic consequences.
8.50 News and Sport; Weather.
9.10 Film: Mad Max Beyond Thunderdome. Wandering warrior Mel Gibson arrives in a cut-throat community searching for his stolen vehicle and falls foul of the local dictator, played by Tina Turner. Futuristic adventure, with Robert Grubb (1985).
10.50 Match of the Day. Highlights of two matches in the FA Premiership, and goals from the day's other fixtures.
11.55 The Danny Baker Show.
12.40 Film: Rude Awakening. Two hippies avoid conscription by hiding out in South America for 20 years, but get a shock on their return to New York. Comedy, with Cheech Marin (1989).
2.20 Weather.
2.25 Close.

BBC2

6.00 Open University. 12.15 pm Film: The Big Parade of Comedy.

1.45 The Phil Silvers Show.
2.10 Timewatch. Women discuss how the contraceptive pill has affected their sexual and working lives.
3.00 Film: Ninotchka. Vintage comedy, starring Greta Garbo as a Paris-based communist agent who falls for a wealthy bachelor. With Melvyn Douglas (1939).
4.45 The Sky at Night. Patrick Moore conducts a tour of the autumn sky. Shown last Sunday on BBC1.
5.05 Animation Now.
5.15 TOTP2.
6.00 Late Again. Highlights of last week's editions of The Late Show.
6.40 What the Papers Say. Ian Hislop reviews the week's press.
6.55 News and Sport; Weather.
7.10 Developing Stories. Haitian film director Raoul Peck tours his island home. He pays tribute to its people's resilience in the face of overwhelming political and civil chaos.
8.00 The *Director's Place*. Film by renowned American director Susan Seidelman, whose experience of growing up in the rigidly conservative atmosphere of 1960s America has profoundly influenced her work. In this frank documentary, she reflects on her suburban childhood and uses black-and-white sequences to recreate scenes from her days at high school.
8.50 One Foot in the Past. Jonathan Meades searches for examples of Baroque architecture.
9.00 *Knowing Me, Knowing You – With Alan Partridge.*
9.30 Elizabeth R. Second part of the award-winning drama about the life of Queen Elizabeth I. The new queen finds herself under pressure from parliament to marry and produce an heir. Starring Glenda Jackson, Ronald Hines, Robert Hardy, Esmond Knight and Vivian Pickles.
11.00 The *Moral Maze*. A selected panel debates topical dilemmas.
11.45 Film: Caged Heat. Jonathan Demme's tongue-in-cheek prison drama about inmates at an all-women penitentiary who go on the rampage. Juanita Brown stars (1974).
1.10 Fast Forward.
1.40 Close.

LWT

9.00 GMTV. 9.25 What's Up Doc? 11.30 The ITV Chart Show. 12.30 pm The Littlest Hobo.

1.00 ITN News; Weather.
1.05 London Today; Weather.
1.10 Champions' League Special. A look ahead to next week's group matches in Europe's premier club competition, including Galatasaray v Manchester United.
1.40 Movies, Games and Videos. Review of City Slickers II: The Legend of Curly's Gold, which reunites Billy Crystal, Daniel Stern and Jack Palance. Also, the video release of Philadelphia, starring Tom Hanks.
2.10 WCW Worldwide Wrestling.
2.50 Life Goes On.
3.40 Burke's Law.
4.45 ITN News and Results; Weather.
5.05 London Today and Sport; Weather.
5.15 Baywatch. Part two. Mitch's ordeal continues – will he ever break free of his captors?
6.05 Gladiators. Contenders from Liverpool, Jersey, Essex and Leeds challenge the might of the muscle-bound warriors.
7.00 Barrymore. Boxer Nigel Benn, American rock 'n' roller PJ Proby and singer Emma Leigh join award-winning funnyman Michael Barrymore for an hour of music and comedy.
8.05 Tarrant's 10 Years on TV.
8.35 ITN News; Weather.
8.45 London Weather.
8.50 Film: White Goods. Comedy about two families whose friendly rivalry during a TV game show escalates into all-out war. Ian McShane and Lenny Henry star.
10.50 Big Fight Special. Julio Cesar Chavez v Meldrick Taylor. Ringside coverage from Las Vegas as the long-standing rivals clash again for the WBC Light Welterweight crown. Introduced by Jim Rosenthal.
11.50 Film: The Shadow Riders. Two brothers who fought on opposite sides in the American Civil War have a painful reunion with their family. Western drama, with Tom Selleck and Sam Elliott (TVM 1982).
1.35 Love and War; ITN News Headlines.
2.05 Tour of Duty.
3.00 The Big E.
3.55 European Nine-Ball Pool Masters.
4.55 BPM.

CHANNEL4

6.00 4-Tel on View. 6.30 Early Morning. 9.45 Blitz. 11.00 Gazzetta Football Italia. 12.00 Sign On: Deaf World. 12.30 pm The Great Maratha. (English subtitles).

1.00 Film: Goodbye Mr Chips. Peter O'Toole plays a shy, retiring schoolmaster who woos a pretty singing comedy star (Petula Clark). Terence Rattigan's romantic musical remake of James Hilton's classic story, also starring Michael Redgrave, George Baker and Sian Phillips. Part of the Look Who's Talking season (1969).
3.40 Film: Sarah (The Seventh Match). The adventures of a youngster who takes refuge in a forest after the Nazis take her parents away. Voiced by Mia Farrow (1981).
4.50 When Magoo Flew. Oscar-winning animation, voiced by Jim Backus.
5.05 Brookside Omnibus; News Summary.
6.30 Right to Reply. Viewers' comments on recent TV programmes.
7.00 The People's Parliament. Public debate on whether able-bodied people who have been out of work for more than six months should be made to do community work. Chaired by Lesley Riddoch, with Rajan Datar.
8.00 Film: The Longest Day. Epic second world war adventure recreating the Allied landings in Normandy on June 6, 1944. John Wayne leads an all-star cast, including Richard Burton, Kenneth More, Sean Connery, Rod Steiger, Henry Fonda and Robert Mitchum. Part of the None But the Brave season (1962).
11.15 Late Licence. Introduced by Mark Lamarr and Rhona Cameron.
11.20 Sting: Live in Oslo. Recorded concert footage featuring tracks from the British singer-songwriter's best-selling album Ten Summoner's Tales, as well as hits from his days with The Police.
1.25 Herman's Head.
1.55 Wax on Wheels. Ruby Wax meets the UK's first female bomb disposal officer.
2.40 This is David Harper.
3.10 Packing Them In.
3.50 Close.

REGIONS

ITV REGIONS AS LONDON EXCEPT AT THESE TIMES:-

ANGLIA:
12.30 Movies, Games and Videos. 1.00 News. 1.40 Nigel Mansell's IndyCar '94. 2.10 Dreams of Gold: The Mel Fisher Story. (TVM 1986) 3.45 Knight Rider. 5.05 News and Sport 8.45 Weather. 11.50 Trackdown: Finding the Goodbar Killer. (TVM 1983)

CENTRAL:
12.30 America's Top 10. 1.00 News 2.10 Carly's Web. [1987] 4.00 WCW Worldwide Wrestling. 5.05 News 5.10 The Central Match – Goals Extra. 11.50 Cinema, Cinema, Cinema.

CHANNEL:
11.30 COPS. 12.00 The ITV Chart Show. 1.05 Channel Diary. 1.40 Nigel Mansell's IndyCar '94. 2.10 Sail the World Special. 2.40 The Everest Marathon. 3.45 Knight Rider. 5.05 News. 5.10 Puffin's Pla(i)ce. 11.50 Wyatt Earp: Walk with a Legend.

GRAMPIAN:
12.30 Sport. 1.00 Headlines 1.40 Telefios. 2.10 Donnie Murdo. 2.40 Cuirm Cloinne. 5.05 Zorro. 3.30 Nigel Mansell's IndyCar '94. 4.00 Superstars of Wrestling. 5.05 Headlines 5.10 News Review. 8.45 Weather. 11.50 Trackdown: Finding the Goodbar Killer. (TVM 1983)

GRANADA:
12.30 Movies, Games and Videos. 1.00 News 1.40 Nigel Mansell's IndyCar '94. 2.15 The Ice Pirates. (1984) 4.00 Superstars of Wrestling. 9.00 News 5.05 Goals Extra. 11.50 Trackdown: Finding the Goodbar Killer. (TVM 1983)

HTV:
12.30 Movies, Games and Videos. 1.05 News. 1.40 Nigel Mansell's IndyCar '94. 2.10 1992 NZ Surf Lifesaving Championships. 2.40 Cartoon Time. 2.50 The A-Team. 3.45 Knight Rider. 5.05 News and Sport 8.45 Weather. 11.50 Trackdown: Finding the Goodbar Killer. (TVM 1983)

HTV Wales as HTV except:
12.30 The Gen.

MERIDIAN:
11.30 COPS. 12.00 The ITV Chart Show. 1.05 News. 1.40 Nigel Mansell's IndyCar '94. 2.10 Sail the World Special. 2.40 The Everest Marathon. 3.45 Knight Rider. 5.05 News. 5.10 Cartoon Time. 11.50 Wyatt Earp: Walk with a Legend.

SCOTTISH:
12.30 Extra Time. 1.05 Scotland Today. 1.40 Telefios. 2.10 Cover Girls. (1977) 3.25 Cartoon Time. 3.40 Sons and Daughters. 4.10 Take Your Pick. 4.40 Cartoon Time. 5.05 Scotland Today 8.45 Weather. 11.50 Pressure Point. (TVM 1977)

TYNE TEES:
12.30 Movies, Games and Videos. 1.05 News. 1.40 The Mountain Bike Show. 2.10 Carry On Nurse. (1959) 3.45 Knight Rider. 5.05 Tyne Tees Saturday 11.50 Curiosity Kills. (TVM 1990)

WESTCOUNTRY:
12.30 Movies, Games and Videos. 1.05 News. 1.40 Nigel Mansell's IndyCar '94. 2.40 The A-Team. 3.45 Dinosaurs. 4.15 The Mountain Bike Show. 5.05 News 3.45 Weather. 11.50 Trackdown: Finding the Goodbar Killer. (TVM 1983)

YORKSHIRE:
12.30 Movies, Games and Videos. 1.05 News. 1.40 The Mountain Bike Show. 2.10 Carry On Nurse. [1959] 3.45 Knight Rider. 5.05 News. 6.10 Scoreline. 11.50 Curiosity Kills. (TVM 1990)

S4C Wales as Channel 4 except:-
7.00 Early Morning. 12.30 Class Action. 6.30 Newyddion. 6.45 Tocyn Tymor. 7.40 C'Mon Midffild. 8.10 Cefn Gwlad. 9.15 Llygaid Sgwar. 9.40 Doc Hollywood. (1991) 11.35 Fanny and Alexander.

SUNDAY

BBC1

7.30 Dilly the Dinosaur. 7.35 King Greenfingers. 7.40 Playdays. 8.00 Blood and Honey. 8.15 Breakfast with Frost. 9.10 Morning Worship. 10.00 See Hear! 10.30 Film: Tarka the Otter.

12.00 CountryFile.
12.25 Weather for the Week Ahead; News.
12.30 Harry and the Hendersons.
1.00 Cartoon.
1.05 Steven Spielberg's Amazing Stories.
1.30 EastEnders.
2.50 Film: Perry Mason: The Case of the Murdered Madam. Perry investigates the murder of a beautiful PR agent. Crime thriller, starring Raymond Burr (1987).
4.25 Junior Masterchef. Competitors from Maidenhead, Weybridge and Woking are judged by Duncan Goodhew and Ainsley Harriot.
4.55 The Great Antiques Hunt. Contestants visit Brighton where they shop for collectibles at a car boot sale and become tour guides at the Pavilion.
5.40 The Clothes Show. An updated uniform for Shrewsbury's town crier, profiles of three up-and-coming menswear designers, a new hairstyle by Trevor Sorbie and fashions for the autumn.
6.05 News.
6.25 Songs of Praise.
7.00 Small Talk.
7.30 Birds of a Feather.
8.00 Paul Merton's Palladium Story. Second of two specials tracing the history of the London theatre, featuring archive footage of Helen Shapiro, Cliff Richard and Gracie Fields.
9.00 News and Weather.
9.20 Screen One: Meat. Daniel Boyle's tragic love story about a teenager whose affair with a prostitute is threatened by her jealous pimp. Starring Jonny Lee Miller and Sarah-Jane Potts.
10.45 Everyman. Investigation into the Dead Sea Scrolls, the religious writings of an ancient Jewish desert community whose content is still a cause of controversy among modern scholars.
11.35 UK Dance. New series. The Amateur Latin section of the 1994 Championships, from the Bournemouth International Centre.
12.15 Film: The Winchester Conspiracy. Fact-based drama about a secret operation mounted by the Australian Federal and New South Wales police forces and the Mafia. Gerald Kennedy stars (1990).
1.45 Weather.
1.50 Close.

BBC2

6.15 Open University. 8.10 Juniper Jungle. 9.35 Bitsa. 9.50 Eek the Cat. 10.15 What's That Noise? 10.40 Grange Hill. 11.05 Growing Up Wild. 11.20 Bay City. 11.45 The O Zone.

12.00 Sunday Grandstand. Introduced by Sue Barker. Including at 12.05 Yachting: The British Match Racing Championships from the Royal Southampton Club. 12.50 Motorcycling: The final rounds of the Supercup Championships from Brands Hatch. 1.40 Motor Racing: Live coverage of today's Portuguese Grand Prix from Estoril. 3.45 Motorcycling. Times may vary.
5.15 Rugby Special. John Inverdale presents this weekend's Club Championship highlights from England and Wales.
6.15 *One Man and His Dog*. New series. Top handlers from around the country, beginning with Scottish entries Alex Waugh, Jock Welsh and Alasdair Macrae, compete for the prestigious trophy at Buttermere in the Lake District.
7.00 The Money Programme. Richard Watson reports on attempts to privatise the nuclear power industry and asks whether such a move would stave off job losses and usher in a golden age of cheap energy.
7.40 The Car's the Star. New series. Quentin Willson charts the history of classic cars from the 1950s to the 1970s, beginning with the Ford Zephyr.
8.00 Placido Domingo's Tales From The Opera. *The second of four programmes follows the renowned tenor as he prepares for his role in a production of Puccini's La Bohème.*
9.00 Monty Python's Flying Circus. Vintage surreal comedy.
9.30 Reputations. *The controversy surrounding German doctor and missionary Albert Schweitzer, whose humanitarian reputation was tarnished in the 1960s by allegations of racism.*
10.30 Grand Prix. Highlights of the Portuguese Grand Prix from Estoril, which Damon Hill needed to win to maximise his chance of catching Michael Schumacher.
11.10 Film: Paris Trout. Premiere. Dennis Hopper plays a racist businessman whose brutal murder of a young black woman and her daughter gradually erodes his sanity. Powerful drama, with Barbara Hershey (1991).
12.55 Close.

LWT

6.00 GMTV. 8.00 The Disney Club. 10.10 Link. 10.30 Sunday Matters. 11.00 Morning Worship. 12.00 Sunday Matters. 12.30 pm Crosstalk: Weather.

1.00 ITN News; Weather.
1.10 Walden. New series. Brian Walden talks to Paddy Ashdown, Liberal Democrat leader.
2.00 COPS.
2.25 Film: Hannibal. Italian-American historical drama, starring Victor Mature as the Carthaginian general who led his troops and elephants over the Alps to attack Rome (1959).
4.20 Film: The Cheap Detective. Neil Simon's crime spoof satirising classics such as The Maltese Falcon and The Big Sleep. Peter Falk stars (1978).
6.00 London Today; Weather.
6.20 ITN News; Weather.
6.30 Dr Quinn: Medicine Woman. On Christmas Eve, Dr Mike is visited by the spirit of an old friend who takes her on a Scrooge-like journey through past, present and future.
7.30 Heartbeat. Nick and PC Ventress pose as fishermen to investigate reports of smuggling in Whitby, while a patient asks Kate to perform an illegal abortion.
8.30 You've Been Framed!
9.00 London's Burning. Billy's attempts to find a date for Kevin end in disaster and Hallam receives a proposition from an unexpected source. Recall worries about his son's wayward behaviour.
10.00 Hale and Pace. Offbeat skits, sketches and songs, with guest star Cleo Rocos. Also, the naked Swedish philosophers and a man with his legs round his neck.
10.30 ITN News; Weather.
10.40 London Weather.
10.45 The South Bank Show. Profile of Marilyn Horne, one of the century's most celebrated opera singers, in which she talks about her life, music and love of the concert stage.
11.45 You're Booked! Interviews with anthropologist Desmond Morris and author Maeve Binchy.
12.15 Cue the Music.
1.15 Married – With Children.
1.45 Get Stuffed; ITN News Headlines.
1.50 Film: North Beach and Rawhide. Drama, starring William Shatner (TVM 1985).
3.40 Get Stuffed; ITN News Headlines.
3.45 Film: Under the Influence. Drama, starring Andy Griffith (TVM 1986).

CHANNEL4

6.00 Blitz. 7.10 Early Morning. 9.45 The Odyssey. 10.15 Saved by the Bell. 10.45 Rawhide. 11.45 Little House on the Prairie.

12.45 Film: The Fallen Idol. Classic crime thriller by Graham Green and Carol Reed about an ambassador's son who hero-worships a household servant accused of murder. Ralph Richardson stars (1948).
2.30 *Scherzo. Animated film set* to Mahler's Seventh Symphony.
2.45 Football Italia. James Richardson introduces live coverage of Juventus v Sampdoria. At half-time, 15-year-old Gareth Hayes, from Wales, the winner of the Look Who's Talking competition, will help read the scores.
5.00 *Fantastic Person. Short animation.*
5.10 News Summary.
5.15 Belfast Lessons. Further reports from Hazelwood College.
5.40 Film: The Higher Mortals. Premiere. An all-girl public school is forced by financial difficulties to accept a number of young male offenders and truants as pupils. Drama, starring Susannah York and Paula Wilcox (1993).
7.00 Equinox. A report on the design, manufacture and testing of the new Boeing 777, the aircraft manufacturer's latest venture into the passenger airline market.
8.00 Child's Eye. Three teenagers set off from Glasgow in Scotland on a bus journey to 10 Downing Street, meeting other youngsters along the way who present their own filmed reports on the state of the nation. In London they will confront the prime minister with their findings.
9.30 Roseanne. Family loyalties are strained when DJ is caught borrowing the car and Leon tries to take control of the diner.
10.00 Film: The Commitments. Premiere. Musical comedy, starring Robert Arkins as an enterprising young Dubliner who assembles a motley crew to form a soul band. With Andrew Strong (1991).
12.10 Film: Black Flowers. A British film-maker visits Argentina to direct a movie about a woman whose husband disappeared during the days of the military junta. Drama, with Vanessa Redgrave (1993). (English subtitles).
2.05 Close.

REGIONS

ITV REGIONS AS LONDON EXCEPT AT THESE TIMES:-

ANGLIA:
12.30 Bodyworks. 12.55 News. 9.00 Cartoon Time. 2.05 Laker Girls. (1989) 3.50 Perfect Gentlemen. (TVM 1978) 5.35 Heirloom. 6.05 News on Sunday 10.40 Weather. 11.45 Street Legal.

CENTRAL:
12.30 Newsweek. 12.55 News 2.00 Gardening Time. 2.30 The Central Match – Live! 4.55 Hit the Town. 5.25 Father Dowling Investigates. 6.18 News 11.45 Prisoner: Cell Block H.

GRAMPIAN:
11.00 Sunday Service. 11.45 Eikon. 12.30 Gardener's Diary. 12.55 Headlines. 2.00 Scotsport. 3.15 The Mountain Bike Show. 3.45 Conference Report. 4.15 The Munsters Today. 4.40 Pick a Number. 5.10 Movies, Games and Videos. 5.40 The Business Game. 5.10 Appeal. 6.15 Headlines 10.40 Weather. 11.45 Prisoner: Cell Block H.

GRANADA:
12.25 Close to the Edge. 12.55 News 2.00 Hot Wheels. 2.30 Rocksport. 2.50 The Match. 5.20 Dr Quinn: Medicine Woman. 6.15 News 6.30 Coronation Street. 11.45 Prisoner: Cell Block H.

HTV:
12.25 The Littlest Hobo. 12.55 News. 9.00 Limited Edition. 2.30 Survival. 3.00 The West Match. 3.30 Carry On Jack. (1963) 5.15 Country Watch. 5.45 Up Front! 6.15 News. 10.40 Weather. 11.45 Prisoner: Cell Block H.

HTV Wales as HTV except:
12.25 Primetime. 9.00 Life Begins At. 9.00 Soccer Sunday. 5.15 A Slice of Life. 5.45 Dinosaurs.

MERIDIAN:
12.30 Seven Days. 12.50 News. 2.00 Wanted: Dead or Alive. 2.30 The Meridian Match. 3.16 Carry On Behind. [1975] 4.45 Highway to Heaven. 5.45 The Village. 6.15 News. 11.45 Serve You Right.

SCOTTISH:
11.00 Sunday Service. 11.45 Eikon. 12.30 Skoosh. 12.55 Scotland Today. 2.00 Scotsport. 3.15 Earth Star Voyager. (TVM 1988) 5.40 Dinosaurs. 6.10 Scotland Today 6.15 Appeal. 10.40 Weather. 10.45 Conference Report. 11.15 Scottish Voices.

TYNE TEES:
12.25 Conference File. 12.55 News. 9.00 Highway to Heaven. 3.00 The Amazing Captain Nemo. (1978) 4.55 Dinosaurs. 5.20 Animal Country. 5.50 Weekend. 10.40 Weather. 11.45 The Powers That Be.

ULSTER:
12.30 Gardening Time. 12.55 News 2.00 Kim. (TVM 1984) 4.30 Police Six. 4.40 Murder, She Wrote. 5.40 Glenroe. 6.10 Witness. 9.10 News 10.40 News 11.45 Air Combat.

WESTCOUNTRY:
12.30 Update. 12.55 News. 9.00 Hot Wheels. 2.30 *Cobblestones, Cottages and Castles. 3.00* The Valley of Gwangi. (1969) 4.50 Blooming Marvellous. 5.20 Murder, She Wrote. 6.15 News 10.40 Weather. 11.45 Prisoner: Cell Block H.

YORKSHIRE:
12.25 Nawrang. 12.50 News. 9.00 Highway to Heaven. 9.00 The Amazing Captain Nemo. (1978) 4.55 Dinosaurs. 5.20 Animal Country. 5.50 Calendar 10.40 Weather. 11.45 The Powers That Be.

S4C Wales as Channel 4 except:-
8.35 Saved by the Bell. 9.05 Katie and Orbie. 9.35 Mighty Mouse. 9.50 Rawhide. 10.50 Babylon 5. 12.45 Mork and Mindy. 1.15 Rocko's Modern Life. 1.45 Equinox. 5.05 Stolen. 6.30 Pobol y Cwm. 7.20 Hapus Dyrfa. 7.50 Yn y Teulu. 9.25 Cymru: Gwlad y Can? 8.50 Newyddion. 8.55 Saith Ar y Sul. 9.15 Ar Derfyn Dydd. 9.20 Child's Eye. 10.50 Viva Zapata. (1952)

RADIO

SATURDAY

BBC RADIO 2

6.00 Sarah Barot. 8.05 Brian Matthew. 10.00 Judi Spiers. 12.00 Hayes on Saturday. 1.30 The News Huddlines. 2.00 The Golden Days of Radio. 3.00 Ronnie Hilton. 4.00 A Chocolate Covered Candy Coating 5.00 Nick Barraclough. 9.00 Kit and the Widow: Sanitised for the Wireless. 7.00 100 Years of the Movies 7.30 Orient Express. 8.30 David Jacobs. 10.00 The Arts Programme 12.05 Ronnie Hilton. 1.00 Charles Nove. 4.00 Sarah Barot.

BBC RADIO 3

6.30 Open University: Talking about the Enlightenment
6.55 Weather
7.00 Record Review. Rossini, Matthew Locke, Bartok, Purcell, Kodaly, Mendelssohn.
9.00 Building a Library. Mozart's La Clemenza di Tito, by Julian Budden.
10.15 Record Release. Schulhoff, Schoenberg, Korngold, Chausson.
12.00 Spirit of the Age
1.00 Japanese Reflections
1.20 Schubert Ensemble of London
3.00 Vintage Years.
5.00 Jazz Record Requests. With Geoffrey Smith.
5.45 Music Matters. Musical activities in Lisbon.
6.30 Norma. Bellini's opera.
9.20 Short Story: Sukie. By Francis King.
9.45 The Lindsays and Friends. Britten, Powers, Bliss.
11.00 Impressions. New series. Recent releases. 12.30 Close.

BBC RADIO 4

6.00 News.
6.10 The Farming Week.
6.50 Prayer for the Day.
7.00 Today.
9.00 News.
9.05 Sport on 4.
9.30 Breakaway.
10.00 Loose Ends. Chat show.
11.00 *Talking Politics.*
11.30 From Our Own Correspondent.
12.00 Money Box.
12.25 The News Quiz.
1.00 News.
1.10 Any Questions?
2.00 Any Answers? 071-580 4444.
2.30 Playhouse: The Lake. By Ellen Dryden.
4.00 The Rape of Mitteleuropa.
4.30 Science Now.
5.00 File on 4.
5.40 Men of Letters.
6.00 News and Sports.
6.25 Week Ending.
6.50 Postcards from Gotham.
7.20 Kaleidoscope Feature. Interview with Joseph Heller.
7.50 Saturday Night Theatre: Dress Up and Sing.
9.20 Music in Mind.
9.50 Ten to Ten.
10.00 News.
10.15 Quote Unquote.
10.45 As Soon As I Open My Mouth.
11.00 Richard Baker Compares Notes.
11.30 Cover Her Face.
12.00 News.
12.33 *Shipping Forecast.*
12.43 (LW) As World Service.
12.43 (FM) Close.

BBC RADIO 5 LIVE

6.05 Dirty Tackle.
6.30 The Breakfast Programme.
9.30 Weekend with Kershaw and Whittaker.
11.05 Special Assignment.
11.35 Crime Desk.
12.00 Midday Edition.
9.00 Sports Report.
6.05 Six-O-Six.
7.35 Saturday Edition.
9.05 Asian Perspective.
9.35 Out This Week.
10.05 The Treatment.
11.00 Night Extra.
11.30 World Championship Boxing.
2.00 Up All Night.

WORLD SERVICE

BBC for Europe can be received in western Europe on medium wave 648 kHZ (463m) at these times BST:
5.00 Morgenmagazin. 6.30 Europe Today. 7.00 News. 7.15 The World Today. 7.30 Meridian. 8.00 News. 8.15 Waveguide. 8.25 Book Choice. 8.30 People and Politics. 9.00 News. 9.09 Words of Faith. 9.15 A Jolly Good Show. 10.00 News and Business Report. 10.10 Worldbrief. 10.30 Development 94. 10.45 Sports. 11.00 News. Jazz Now and Then. 11.15 *Letter from America.* 11.30 BBC English. 11.45 Mittagsmagazin. 12.00 Newsdesk. 12.30 Meridian. 1.00 News. 1.09 Words of Faith. 1.15 Multitrack Alternative. 1.45 Sports. 2.00 Newshour. 3.00 News; Sportsworld. 4.00 News. 4.15 BBC English. 4.30 Heute Aktuell. 5.00 News. 5.15 Sportsworld. *6.00* What's New?; BBC English: History of Soul, Britain Now. 6.30 Heute Aktuell. 7.00 News and features in German. 8.00 News; The Eisenstein Enigma. 8.45 From the Weeklies. 9.00 News. 9.10 Words of Faith. 9.10 Development 94. 9.30 Meridian. 10.00 Newshour. 11.00 News. 11.00 Words of Faith. 11.10 Book Choice. 11.15 Jazz for the Asking. 11.45 Sports. 12.00 Newsdesk. 12.30 Sounds of South Africa. 1.00 News. 1.15 Good Books. 1.30 The John Dunn Show. 2.00 News; Play of the Week: Flowers for Algernon. 2.00 Newsdesk. 3.00 Liberation Now. 4.00 News 4.15 Sports. 4.30 From Our Own Correspondent. 4.50 Write On.

SUNDAY

BBC RADIO 2

7.00 Don Maclean. 9.05 Michael Aspel. 10.30 Hayes on Sunday. 12.00 Desmond Carrington. 2.00 Benny Green. 3.00 David Jacobs. 4.00 Tea at the Grand. 4.30 Sing Something Simple. 9.00 Charlie Chester. 7.00 Richard Baker. 8.30 Sunday Half Hour. 9.00 Alan Keith. 10.00 The Arts Programme. 12.05 Steve Madden. 3.00 Alex Lester.

BBC RADIO 3

6.30 Open University: American Conversations. 6.55 Weather.
7.00 Sacred and Profane. Fayrfax, Franck, Elgar, Stanford, Haydn.
8.50 Choice of Three. Preview of programmes.
9.00 Brian Kay's Sunday Morning.
12.15 Music Matters. Musical activities in Lisbon.
1.00 The BBC Orchestras. Bartok, Tippett, Gorecki.
2.30 La Bonne Chanson. Mendelssohn, Schumann, Faure.
4.30 The BBC Orchestras. John Adams.
9.45 Making Waves. The London Review of Books' 15th birthday.
6.30 Stravinsky and Satie.
7.30 *Drama Now: Parrots and Owls.* By John Purser.
9.10 Music in Our Time. Xenakis: XAS. Elena Firsova: Far Away. Tristan Keuris: Music for Saxophones.
10.25 Choir Works. Monteverdi.
12.30 Close.

BBC RADIO 4

6.00 News.
6.10 Prelude.
6.30 Morning Has Broken.
7.00 News.
7.10 Sunday Papers.
7.15 On Your Farm.
7.40 Sunday.
8.50 The Week's Good Cause.
9.00 News.
9.10 Sunday Papers.
9.15 Letter from America.
9.30 Morning Service.
10.15 The Archers. Omnibus.
11.15 Mediumwave.
11.45 Eating Out.
12.15 Desert Island Discs.
1.00 The World This Weekend.
2.00 Gardeners' Question Time.
2.30 Classic Serial: Lost Empires.
3.30 Pick of the Week.
4.15 Married with Children: In Hollywood.
5.00 Took's Tour to Gloucester.
5.30 Poetry Please.
9.00 Six O'Clock News.
6.15 Feedback.
6.30 Children's Radio 4: The Horse and His Boy.
7.00 In Business.
7.30 Opinion.
8.00 *(FM) The Rape of Mitteleuropa.*
8.00 (LW) Open University. 9.00 In Other Words: Love Speaks Volumes. 8.30 Great Pioneers of Education: Maria Montessori. 9.00 Women's Studies: The Way She Tells 'Em. 9.20 Social Sciences: Assignment 103. 9.40 Developing World: The Refugee Crisis.
8.30 (FM) Your Place or Mine?
9.00 (FM) The Natural History Programme. With Kelvin Boot.
9.30 (FM) Flashpoint.
10.00 News.
10.15 Survivors.
10.45 Good Lookers.
11.15 With Great Pleasure.
11.45 Seeds of Faith.
12.00 News.
12.30 Shipping Forecast.
12.43 (LW) As World Service.
12.43 *(FM) Close.*

BBC RADIO 5 LIVE

6.05 Hot Pursuits.
6.30 The Breakfast Programme.
9.00 Alastair Stewart's Sunday.
12.00 Midday Edition.
12.15 The Big Byte.
1.00 Top Gear.
1.35 Carol Smillie's Blue Sides.
2.05 Sunday Sport.
6.05 Jim and the Doc.
7.00 News Extra.
7.35 The Acid Test.
2.00 The Ultimate Preview.
10.05 Special Assignment.
10.35 Crime Desk.
11.00 Night Extra.
12.05 After Hours.
2.00 Up All Night.

WORLD SERVICE

BBC for Europe can be received in western Europe on medium wave 648 kHZ (463m) at these times BST:

6.00 Newshour. 7.00 News and features in German. 7.30 Jazz For The Asking. 8.00 News. 9.15 March of the Women. 8.30 *From Our Own Correspondent.* 8.50 Write On. 9.00 News. 9.00 Words of Faith. 9.15 The Greenfield Collection. 10.00 World News and Business Review. 10.15 Short Story. 10.30 Folk Routes. 10.45 Sports. 11.00 News; Science in Action. 11.30 In Praise of God. 12.00 Newsdesk. 12.30 BBC English. 12.45 News and Press Review in German. 1.00 News Summary; Play of the Week: Flowers for Algernon. 2.00 Newshour. 3.00 News; Driving in My Car. 3.30 Anything Goes. 4.00 News. 4.15 Concert Hall. 5.00 News. 5.15 BBC English. 5.30 News and features in German. 8.00 World News and Business Review. 6.10 BBC English. 7.00 Newsdesk. 7.30 News and features in German. *8.00 World News. 8.10* Words of Faith. 9.15 Printer's Devil. 9.30 Europe Today. 10.00 Newshour. 11.00 World News and Business Review. 11.15 Meridian. 11.45 Sports. 12.00 Newsdesk. 12.30 Driving in My Car. 1.00 News. 1.15 Mind Matters. 1.30 In Praise of God. 2.00 News; The Eisenstein Enigma. 2.45 March of the Women. 3.00 Newsdesk. 3.30 Composer of the Month. 4.00 News. 4.15 Sports. 4.30 Anything Goes.

CHESS

Nigel Short and Michael Adams had the worst possible start to the PCA world championship semi-finals in Linares this week. Short lost his first two games to Gata Kamsky of the US while Adams is also 0-2 down to India's Vishy Anand.

Offboard, Kamsky's father, Rustam, took centre stage. Kamsky pere, driving to Gata's game against Anand in India, got out of their car and scattered $1,000 in dollar bills among the beggars: "We Tartars believe that if you help the poor, the Lord will help you."

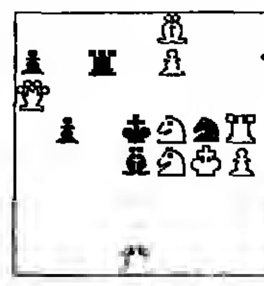
Rustam, a former boxer who once accused Garry Kasparov of poisoning Gata's orange juice, demanded that the two Linares matches should be played in separate halls, because: "the two English GMs would speak about the moves during the game." When the PCA refused, Rustam watered down his demand to a partition of flower beds, but settled for a couple of potted plants.

Coping with the Kamskys is a trivial problem for the PCA compared with the difficulties facing the rival world body. Two years ago Fide moved offices to Athens after obtaining a subsidy from the Greek government, which also agreed to give $300,000 towards the 120-nation 1994 chess olympics.

This week Fide revealed that the subsidies are 18 months in arrears and that the Greek sports ministry has failed to reply to repeated letters. This is the second blow for Fide within a year, following the fiasco of their Karpov v Timman world title match which had no prize money after Oman suddenly withdrew backing.

Now The olympics are indefinitely postponed, Fide is hastily moving its offices to the Philippines or Malaysia and the Greek candidate is no longer favourite to become Fide president at the next election - which is also postponed.

No 1040



White mates in two moves, against any defence (by J Savourin, British Chess Magazine 1994). Experts often regard two-movers as trivial, but this diagram caught out many competitors in the 1994 world solving championship at Belfort.

Leonard Barden
Solution Page XVII

BRIDGE

A new edition of *Bridge, The Complete Guide to Defensive Play*, by Frank Stewart, has been published by Robert Hale (£6.99). Study this hand from duplicate pairs:

N
♠ K J 6 3
♥ 8 7 3
♦ 9 6 5 2
♣ 6 5

W	E
♠ 5	♠ 9 8 4
♥ Q 10 6 2	♥ J 9 5 4
♦ Q 10 8 4	♦ J 7
♣ Q J 10 4	♣ A 9 3 2

S
♠ A Q 10 7 2
♥ A K
♦ A K 3
♣ K 8 7

South dealt and bid two clubs. North replied two diamonds and South re-bids two spades. North gave a single raise and South bid of four spades.

West lead the club queen. East took with the ace and returned the two. Declarer won, ruffed a third club in hand and ran off four rounds of trumps. West held Q106 of hearts and Q108 of diamonds. When the declarer played his last trump, West had to unguard one of his red suits. What discard do you recommend for West? Remember, overtricks are crucial in match-pointed pairs.

West knew declarer started with five spades and three clubs. If he held four diamonds, East might well have returned his singleton at trick two. If he held four hearts, he would surely have played ace, king and another heart before drawing trumps.

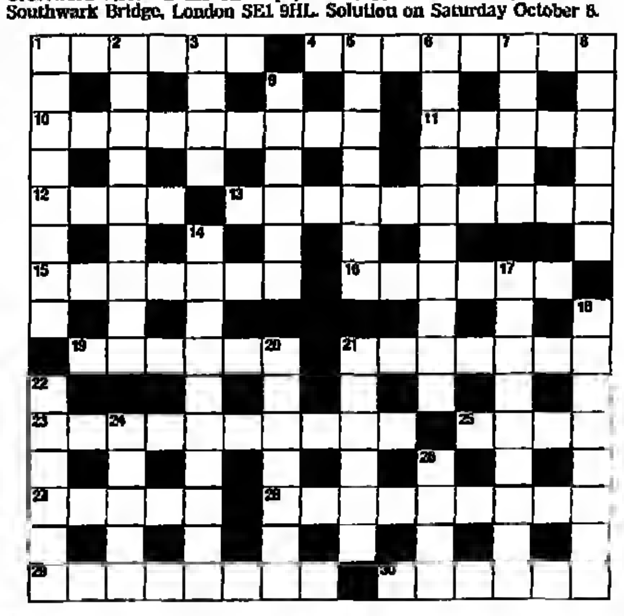
So, assuming that West holds three cards in one red suit and two in the other, West had to keep his diamonds. Only he can guard diamonds. He had throw a heart, trusting East to guard that suit.

E.P.C. Cotter

CROSSWORD

No. 8,567 Set by CINEPHILE

A prize of a classic Pelikan Souverän 800 fountain pen, inscribed with the winner's name for the first correct solution opened and five runner-up prizes of £35 Pelikan vouchers. Solutions by Wednesday October 5, marked Crossword 8,567 on the envelope, to the Financial Times, Number One Southwark Bridge, London SE1 9HL. Solution on Saturday October 8.



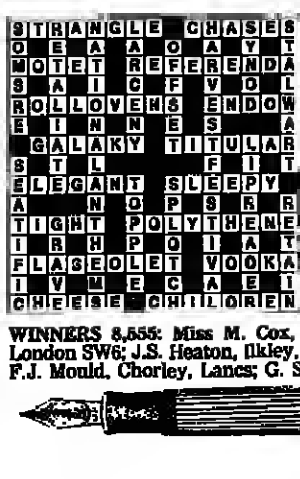
Name...

Address..

ACROSS
1, 19 Island queen's son snooped around northern church sick room (6,6)
4 Sean and land unfinished in upper room (9)
10, 27 Writer lost caste (not English), possibly (3,6,5)
11, 19 The first, he wrote of the last (5,6)
12 See 26
13 Fellow-pupil finds some swimmers at end of game (10)
15 Unfashionable support: don't do it to welcome (7)
19, 18 Eminent biographer, sly and catty whose throne's involved (6,8)
19 See 1 across (and 23)
21 See 28 (and 23)
23 Translator of poetry, jazz singer, taoiseach and American writer who came before Kennedy (10)
25 See 8 (and 23)
27 See 10 (and 23)
28, 21 across Feminist queen at upper room, say – and 'er son? (9,7)
29 Precious mineral found by bird splashing in tea (8)
30 Great American hero with guns not far off (9)

DOWN
1 Place islands back in the drink (8)
2 Defiled with dirt, I rage – there's plenty of water (9)
3 Fellow with cold sore? (4)
6 Rum distributed during work causes trouble (7)
6 Male beast, tailless, in erotic surroundings – the cloister? (10)
7 Land in panic, one might say (5)
8, 25 Poor little girl recalled in transformation (10)
9 Thick-set? Keep your head (6)
14 Correct with shattering effect (10)
17 Lovers' ire punished people smothering babies (9)
18 See 16
20 One of several flowers coloured up and left (7)
21 Quantity of liquid that is for a sporting guide (6)
22 Compensation for printers? (6)
24 Fish go moderately quickly round turn (5)
26, 12 Girl with Roman garment in trunk where Burgoyne surrendered (8)

Solution 8,566



Solution 9,555

WINNERS 8,555: Miss M. Cox, Beckenham, Kent; Diana Atkinson, London SW6; J.S. Heaton, Ilkley, W. Yorks; L. Mann, Misson, S. Yorks; F.J. Mould, Chorley, Lancs; G. Sutherland, Purley, Surrey.

Interview

A warm autumn breeze blows from Moscow

***Anthony Robinson** meets Russia's new – and friendly – ambassador to the court of St James*

Anatoly Adamishin, Russia's new ambassador to the court of St James, slipped quietly into London last week and tackled his first task – smoothing the way for President Boris Yeltsin, who arrives today for talks with prime minister John Major.

His next job will be to ensure that all goes well next month when the Queen pays a state visit to Russia – the first British monarch ever to do so.

Relations between Britain and Russia have not been as warm or as close for decades. Adamishin, a career diplomat, who has been increasingly influential in shaping Russian foreign policy, is welcomed in London as a man who embodies the "new thinking". He has thus been much involved in Russia's efforts to reintegrate into the wider world.

Adamishin, who served as ambassador to Italy and deputy foreign minister before coming to London, says this process started when Britain's former prime minister Margaret Thatcher, described Mikhail Gorbachev "as a man I can do business with." This was several months *before* he became the last communist ruler of the Soviet Union. However at about that time, Adamishin himself was playing an important part in reshaping Russia's relations with the rest of the world, during negotiations in a most unlikely place – Africa.

The quietly-spoken diplomat, was at the centre of the international effort in the mid-1980s to persuade the Cubans to remove their troops from Angola.

The Cuban withdrawal ended a military threat to South Africa's security and persuaded Pretoria to grant independence to Nambibia. This withdrawal was thus an important condition for the eventual ending of apartheid in South Africa.

During these negotiations, Adamishin made some unlikely friends, including Pik Botha, South Africa's crusty former foreign minister.

During months of shuttle diplomacy, which took him back and forth to Luanda, Brazzaville, Windhoek, New York and other more secret places, Adamishin gained the respect and trust of some of the most influential people in western diplomacy, including Sir Robin Renwick, now UK ambassador to Washington.

"It was touch and go right to the end", Adamishin says. "The night before we were due to complete the agreement in New York the Cubans said they would not sign. I told them in that case Moscow would not sign either. But then I spelt out a whole series of negative consequences which would follow. In the morning, they signed."

'The UK is not a simple partner... we consider you as a reliable, long-term partner' – Anatoly Adamishin

Such a breakthrough would have been impossible had the veteran Soviet foreign minister Andrei Gromyko still been in charge. But shortly after Gorbachev came to power in 1985, Eduard Shevardnadze took over the foreign ministry.

"New thinking" swept through the foreign policy establishment and Adamishin, who had languished in Moscow for more than 20 years as a speech writer and increasingly influential counsellor, following his return from a six-year stint at the Rome embassy, was given a free hand to tackle an intractable problem, albeit one low on Moscow's list of priorities.

The chance to use his talents fully in Africa arrived after years of frustration for a man who passed the formative years of his career in Italy and longed for the chance to help loosen and modernise the sclerotic Soviet system.

By temperament and experience Adamishin is an unashamed "westerniser" who believes that "partnership with the west is vital for our hopes of turning Russia into a normal, economically prosperous and predictable country." Throughout Russia's history such men and such ideas have had to contend against the "Slavophiles" with their quasi-mystical belief in the uniqueness of Russia and the Slav soul and their suspicion – and even hostility – to the corrupting ideas and examples of the west.

But, in his first interview inside the sprawling white stucco embassy on Kensington Palace Gardens, Adamishin said that "western Europe has not yet made up its mind whether to embrace Russia and hold her tight in a democratic embrace – like Germany after the war or Spain and Greece – or draw the boundaries at the Baltic states and Ukraine as if Russia is really an Asian exile."

However, he speaks rather more warmly of Britain: "You have shown more understanding of our problems than some others. You helped us to join the Group of Seven and helped in other parts of the world. The UK is not a simple partner to deal with, but we consider you as a reliable, long-term partner."

He is optimistic that relations with Britain and other western countries will improve further. "Our interests coincide 80 to 90 per cent of the time and relations between Russia, western Europe and the US are moving in the right direction. But we still have to find where a balance of interests exists in the remaining 10-20 per cent of cases."

Misunderstanding and disagreement could arise from Russia's "peacekeeping" role in the countries of the Commonwealth of Independent States (CIS) which were formerly part of the Soviet Union, and from its relationship with Nato. Moscow wants an equal partnership.

"We each need to recognise certain special interests, in our case we see the CIS as an area in which we have a special interest. We were also displeased to be faced by unilaterally taken decisions over Bosnia, although the situation in that respect is also much better now," he adds.

Adamishin was born of Russian parents in Kiev, the capital of Ukraine in 1934. This was the year in which Stalin ordered the assassination of Sergei Kirov and then used the murder as an excuse to purge political opponents. Adamishin, however, shows few of the characteristics of "Soviet man."

"I was too young to remember the purges," he says. But he is part of tha generation which grew up under Stalin and then started their careers under Khruschev.

He attributes his survival as a free spirit to the influence of his grandparents, who brought him up during the war, and to a lucky break which took him into diplomacy. He was trained as a mathematician and specialised in the Italian economy. His room mate was Luigi Longo, son of the eponymous former Italian communist party leader. "Gigi was six years older than me. He became my teacher in everything from marxism to sexology," he recalls affectionately. The two men remain close friends.

The Italian connection changed his fate. "They needed Italian speakers and I was taken on by the first European department of the foreign ministry (devoted to western European affairs). I translated for Khruschev when an Italian delegation came to Moscow. I remember how Giuseppe Pella, the then Italian foreign minister, outraged Khruschev by asking whether it was true that Khruschev drank water while plying vodka liberally to his guests. Khruschev pushed his glass up to Pella's mouth and ordered him to drink. It was vodka of course."

Two years later Adamishin arrived in Rome as *stazheur*, apprentica at the elegant palace which houses the Russian embassy, less than a mile from the Vatican on tha Gianicolo hill. There followed six years as interpreter and counsellor to Ambassador Semyon Kozyrev, (no relation to the current foreign minister).

"He treated me like a son, gave me my diplomatic schooling, and protected me from the KGB snapping at my heels. Thanks to his protection I was able to violate all the rules governing the behaviour of Soviet diplomats in Italy."

Like so many foreigners, exposure to the subtle arts of Italian life and politics inevitably influenced his thinking and style. But he insists that the main formative elements were his unusual "class origins" and the influence of his grandparents.

His father, Leonid, was killed along with 1m other Soviet troops, in the first Nazi encirclement of Kiev in 1941. Anatoly was then seven years old. His mother was a modest functionary in the ministry of agriculture.

"I spent my childhood in the Ukrainian countryside looked after by my grandfather, a graduate from St Petersburg University who had voluntarily "returned to the people" to teach in the countryside, and my grandmother. She had been educated at a gentlewomen's academy but learned how to milk and grow crops."

Both, he added, were what used to be called in Czarist times *raznochinits*, the name given to the proud and hard working meritocracy which was not part of the hereditary aristocracy, but rose through the ranks and served the Czar with diligence and honour.

This combination of inherited grit and acquired Italian subtlety marked him out and helped him to survive 25 years at the heart of the foreign ministry interspersed by events such as the Warsaw pact invasion of Czechoslovakia and the collapse of detente after the invasion of Afghanistan and martial law in Poland. It should also serve him well as ha sets out on his declared path "of doing everything in my power to make sure that Anglo-Russian relations will be confident and serene."

Reflections on a new role: Anatoly Adamishin, the Russian ambassador in his London residence — Tony Andrews

The Nature of Things/**Clive Cookson**

Back to our African Roots

Lucy has lost her title as our oldest known ancestor. In her place are the Root family, who lived 4.4m years ago on the wooded highlands of east Africa.

Some of this week's publicity about the discovery of 17 Root fossils in Ethiopia suggested that they were the long-sought "missing link".

In fact they are not quite old enough to represent the putative ancestor of apes and humans; the evolutionary split between the two classes of primates is believed to have occurred at least 5m years ago.

Even so, the anthropologists who discovered the new hominid species – officially named *Australopithecus ramidus* after the local Afar word "ramid", meaning root – have given the study of human evolution its biggest boost since the 3.2m-year-old remains of Lucy (*Australopithecus afarensis*) were found in the same area in 1978.

Most of the Root fossils found so far are teeth and small fragments of bone, which had been chewed up and scattered around the Awash River site by scavenging animals. There is nothing to match the relatively complete skeletons of Lucy and her contemporary known as "Son of Lucy".

The researchers – Tim White of the University of California, Berkeley; Gen Suwa of Tokyo University; and Berhane Asfaw of the Ethiopian Palaeonthropology Laboratory – have found pieces of skull and arm bones, but unfortunately no remains of hips, legs or feet. Without them, it is impossible to tell whether the Roots walked on two legs or four – or a bit of both.

So the latest discovery takes us no closer to knowing when our ancestors came down from the trees and started walking upright. But there is a good chance that the anthropologists will soon turn up some bones from below the waist as they continue to scour the research site.

'These hominids probably did walk upright, but with a waddle'

What the fossils already tell us is that our ancestors 4.4m years ago were about the same size as the smallest contemporary forms of chimpanzee, or half as big as us. They had ape-sized heads and, presumably, ape-like mental abilities.

Most of the technical analysis in this week's *Nature* paper describing *A. ramidus* as a new hominid species concerns its teeth, partly because these are the most plentiful remains and partly because dental evidence is conventionally important for primate taxonomy.

The Roots' teeth are smaller than those of later *Australopithecus* species such as Lucy, though larger than modern human or chimp teeth. Their dental details are mainly intermediate between apes and the later hominids, as you would expect, though there are also some special features such as distinctive diamond-shaped canine teeth.

A battery of geological and radio-isotope dating procedures – carried out on the hominid bones, other fossilised animal and plant remains, and the rocks around them – all point to a narrow age range between 4.3m to 4.5m years for the find.

The evidence from the other fossils shows that the Awash site, now an arid semi-desert, was lush woodland when the Roots lived there. The researchers found thousands of fossilised seeds of forest trees and plentiful bones of tree-dwelling colobus monkeys.

Although the proven facts about *A. ramidus* are very sparse, they can be combined with what is known about later hominids and modern apes, to give a reasonable speculative view of the Roots' lifestyle.

They slept high up in the trees, for safety, and spent a lot of their waking life there too, eating leaves and fruit. Their strong arms and hands enabled them to swing through the branches, though with less speed and agility than a chimp.

Sometimes, however, the Roots came down to the ground, to eat fallen fruit and to supplement their largely vegetarian diet by scavenging dead animals.

They may even have banded together occasionally to hunt and kill animals. These hairy hominids probably did walk upright, at least for part of the time, but with a waddle that would have looked very different from today's human gait.

If the Roots had ape-like minds, they may have picked up sticks and stones to use as primitive tools, for example to pick juicy insects out of crevices in tree trunks or smash open nuts.

But they were not clever enough to fashion tools of their own by cutting sticks and stones into more useful shapes.

We shall have to wait for the fossil hunters to find more extensive remains of the Roots to know how accurate this picture is and give some idea about their social structure.

If the females turn out to be much smaller than the males – as was the case with Lucy and her menfolk – then it would be reasonable to conclude that dominant males competed for control of family groups.

For now, the significance of the discovery is its confirmation of the view originally put forward by Charles Darwin, that the roots of human evolution would lie in Africa.

Truth of the Matter

Roll over, Beethoven

***Peter Aspden** on the use and misuse of great music*

Of the many things which the world does not need, a new recording of Beethoven's Fifth Symphony ranks right up there, along with Prozac, pet rocks and party conferences. I know Herbert von Karajan advised young conductors to throw away their first 100 versions of the work (pity the poor audiences) but there comes a point when enough is enough, when the obsessive pursuit of perfection becomes a futile exercise in megalomania.

I was forced to pause, however, when Franz Welser-Möst's new interpretation of this classic work with the London Philharmonic popped through the post this week. It was not the gaudy fireworks-by-moonlight scene adorning the sleeve, nor the performance itself, which is more than competent. It was the obtrusive white sticker on the front of the compact disc cover: "Includes music from Hovis and Pedigree Chum TV ads".

I know that in the age of the sound-bite and the sample, in a world where you can walk into a record shop and buy an album called *Bach to Basics*, this should not come as a shock; but it did. This is *Beethoven's Fifth*, for goodness sake, probably the most famous piece of music in the western world, and someone is honestly trying to use it to sell brown bread and dog food? And worse still, someone is trying to sell the compact disc by advertising that it is used to advertise brown bread and dog food?

My mind reeled as I tried to recall the offending items but my memory, and my imagination, drew a blank. Hovis: a wholesome family sits at the kitchen table glowing with health and well-regulated fibre intake – da-da-da-*da*. It just didn't pan out. Pedigree Chum: a cuddly spaniel bounds towards its bowl of nourishing goodies – da-da-da-*da*. No way. These are the opening bars which Beethoven reputedly described as "fate knocking at the door"; could he really have been referring to a kennel?

My curiosity was getting the better of me; I had to make a few calls. The man from Hovis was brisk and confident. "No, we've never used Beethoven's Fifth, nor any Beethoven for that matter. We use Dvořák, the second movement of the New World Symphony."

He was so assertive, it sounded like the most logical pairing in the world. "And there are no plans to use Beethoven?" "None." There was no doubt in this man's mind, Hovis and Dvořák was a marriage baked in heaven, and any interlopers were not welcome.

The woman from Pedigree Chum was less strident, and had to check: "No, there is no record of us having used Beethoven at all." She sounded relieved. "I mean it just doesn't seem like music for one of our ads. It's a bit heavy, isn't it?"

I nervously agreed that, yes indeed, it was a bit heavy, but in truth I had lost all confidence in my ability to match world-famous pieces of music with pet food products. If she had said that Pedigree Chum had been using Siegfried's Funeral March for the last 20 years, I would not have batted an eyelid. But she did not say that; instead she added that the music they were "famous for" (where have I been all these years?) was Dvořák's New World Symphony.

The mystery was solved. It was a cock-up, the right sticker on the wrong compact disc cover. My instincts were proved correct; no-one can use the music of Beethoven's Fifth Symphony to push products. My ideals remained intact, the great man could once again bask in the purity of his genius. A final call, to EMI, and the end to my nightmare: the sticker was an innocent mistake, and should not be appearing in the shops. Simple as that.

But the issue will not go away. Does listening to snatches of classical (or, as some would have it, "serious") music as an inducement to buy essentially trivial products really do any harm?

The reason we, as a culture, continue to churn out Beethoven Fifths is in ritualistic affirmation of our sophistication and love of high art. This, we continually tell ourselves, is what we are capable of; this is the peak of human achievement. It may have taken place some 200 years ago, but we are still recording it, still travelling to see it performed, still discussing it.

Are these sentiments not infected when such works of sublime intent are wrung through the warped minds of some crazed creative department? Or is it just a "harmless bit of fun", that clarion-call of our times? Beethoven, a most complex man, lived in a much simpler world. I find it difficult to conceive of how fate knocking at the door would sound in 1994, but I have the horrible feeling that after the first two notes, there would be a commercial break.

Residential Property

SECTION III A SPECIAL SUPPLEMENT

So you want to live in the best place in town, money no object. What would you choose and why? Freed from any financial constraints, FT correspondents around the world had no problem in letting their imaginations roam in search of that perfect property

Simply the best, better than all the rest

Somewhere in the world is the perfect home. If you had your pick of the best properties in major cities what would you select? A mansion? A penthouse? A riverside palace? We asked FT correspondents to let their dreams run riot...

Some £15m could buy you this view, from the ultimate in attics, over London's Mayfair. Of course, there is still the cost of fitting out this penthouse since the £15m just buys the 15,500 sq ft shell...

LONDON

The best flat in London only partly exists, writes **Gerald Cadogan**. Even so, it costs £15m, which buys a two-floor penthouse newly-built on top of Fountain House, a handsome 1930s apartment block next to the Grosvenor House Hotel on Park Lane in Mayfair.

The flat has superb views, especially westwards over Hyde Park, the Serpentine and the Albert Memorial, which from up top looks like a rocket about to set off from Cape Canaveral.

Grosvenor House is across Mount Street to the north. On the east and south the immediate views are over the late 19th century red brick and white stone mansions of Mayfair, which are becoming smarter every day as they return from office to residential.

Skips and scaffolding cram the streets now, but enough has already been refurbished to show how classy the resurrected Mayfair will be.

In this superb position, in the heart of London, the penthouse occupies the whole of the top of the building. Some £15m buys a shell of 15,500 sq ft, basement parking for 12 cars, and an express lift to get to them, and nothing more.

There is still the cost of fitting out this huge space, 1¼ times the size of even the larger Mayfair mansions, and deciding where to put the partition walls. The top floor has mansard roof – a Parisian attic on a mega-scale, fit for a Mayfair lady.

WA Ellis (071-581 7654) and Wetherell (071-493 6935) are joint sole agents for a 250-year lease. If the penthouse does not sell as whole, they will offer it as four units. But I cannot see how some person of wealth could let this opportunity slip by.

NEW YORK

A morning stroll down Central Park South reveals something important about living in a vertical city like New York, thinks **Frank McGurty**. On the north side, the grassy verges along the edge of the park are dotted with slumbering forms twisted into unnatural positions by the indignities of life on the streets.

Across the way, majestic apartment towers rise out of the pavement like genteel citadels against the travails below. Here, the wealthiest New Yorkers reconcile their need for comfort and security with their intense desire to be enveloped by the city's richness and vitality.

Alice Tully, a renowned patron of the arts and a generous benefactor of the needy, was one of the most successful at achieving this balance. Before her death last year, aged 91, she found sanctuary in an extravagant 14-room flat which occupied the entire 27th floor of the Hampshire House hotel.

Her eyrie floats high above the very nexus of the city. Equidistant from the up-market shops of the east side and the chamber music hall at Lincoln Centre which bears her name, the residence offers unmatched accessibility to New York's delights.

Yet, amid its lavish elegance, a visitor feels a comforting sense of distance. The vista from the front terrace, situated at the mid-point of Central Park's south face, encourages the illusion of a graceful and purposeful city where gentle woodlands and water-courses are framed neatly by gardens of urban architecture.

Inside, Tully created the illusion of an 18th-century Venetian palazzo. Its eccentric ramble of rooms – both intimate and grand – stands in refreshing contrast to the sterility of most New York flats, even at the very high end of the market.

The music room, a sumptuous space with 18ft ceilings and double-height French windows, lies at the heart of this whimsical maze. In its stately elegance, the philanthropist indulged her greatest passion in a style which every New Yorker would envy.

Alas, few of them could afford it. The asking price is $7m – plus $22,800 a month in service charges.

PARIS

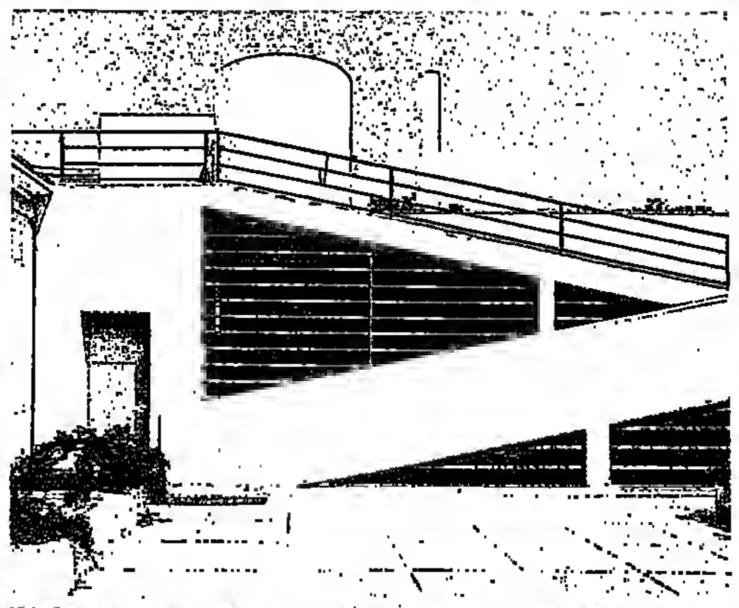
If I was going for grandeur I would chuck out the Rothschilds and move into Hôtel Lambert, their 17th century townhouse on the Ile Saint-Louis, says **Alice Rawsthorn**. If I wanted something more modern, I would have to choose between Pierre Chareau's exquisitely eccentric Maison de Verre, in Saint-Germain des Prés, or Rem Koolhaas's cool contemporary Villa d'Alba in Saint-Cloud.

But there is only one serious contender for my perfect Parisian pad – Villa Savoye, the white-walled house in a buttercup field in the western suburb of Poissy, which was the last and the loveliest of the purist villas designed in the 1920s by Le Corbusier.

It says a great deal about the house that it could coax an unreconstucted urbanite like me into an insalubrious suburb like Poissy. Villa Savoye would be worth it. It is a dream of a house: the perfect blend of Le Corbusier's architectural theory with a sensuous sense of space.

Villa Savoye was built in 1931 as the home of the Savoyes, an insurance magnate and his wife. The exterior is the same perfectly proportioned blend of soft curves and straight lines that is so appealing in Le Corbusier's bigger buildings. The main rooms are raised on columns

Continued on Page III



Villa Savoye: a French national monument that may never come on the market

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On the outskirts of the village close to the by-pass, a listed mill house with an interesting history, adjoining the River Wey, with double bank fishing, outbuildings, cottage, stabling and paddocks.

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27 acres of beautiful grounds surround this long low-built house with garaging, cottage, swimming pool and tennis court.

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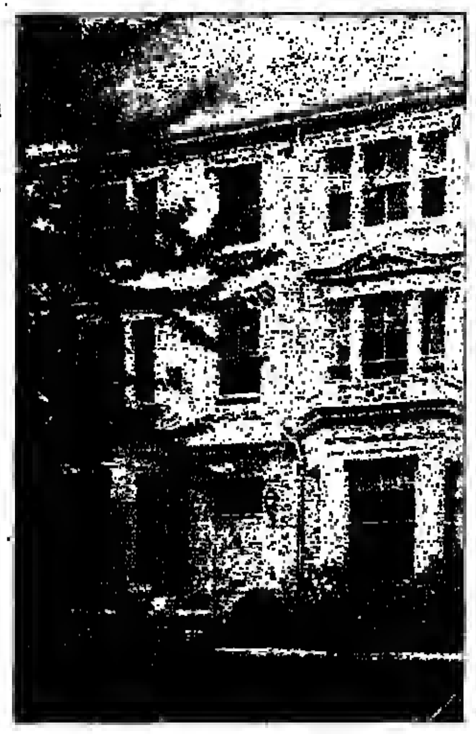

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FRANCE – ST JEAN CAP FERRAT
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3 reception rooms, 4 bedrooms, 4 bathrooms.
Pool house. Staff house. Swimming pool.
Mature gardens.
About 1½ acres.
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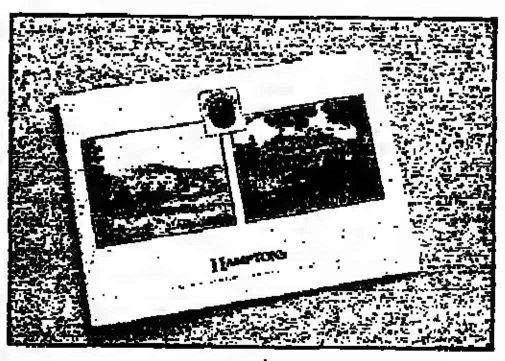

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STATE OF THE MARKET

Bright promise fades away

***Gerald Cadogan** looks at how the UK residential market has fared this year*

The year had started full of promise but, as winter turned to spring, and then summer, the property market started sticking. The rise in long-term yields killed the attractive fixed-rate mortgages of January and February, taxes went up in April and the government did badly in local and European elections. As confidence waned, sales fell.

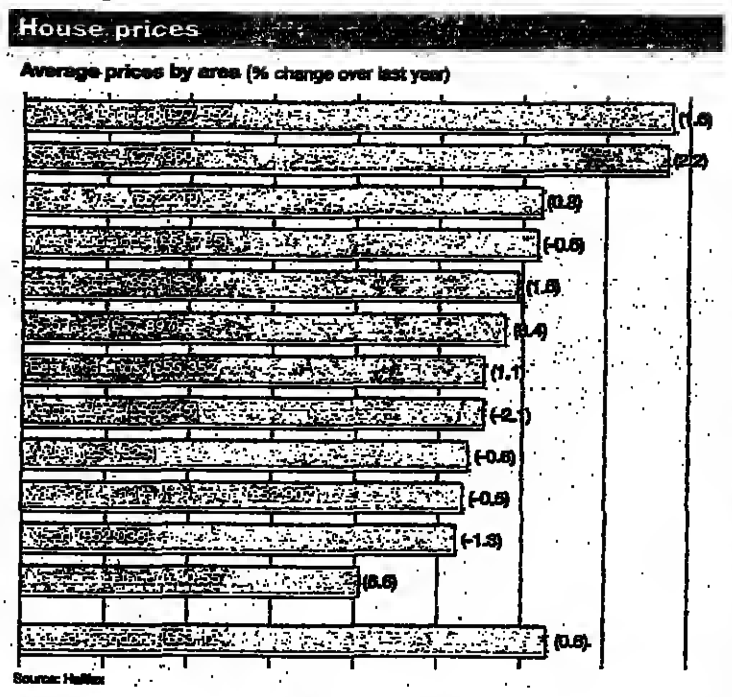
The mid-September base rate increase also prompted fears that the uncertain recovery in the housing market would be checked.

Negative equity probably provides a salutary reminder that, although prices are slowly improving, they still have a long way to go until they reach 1988-89 levels. The priority now, after a recession that affected the house-owning middle-classes most, is to have a home (with all the security and permanence that implies) and not a fast-profit investment vehicle.

If potential sellers do not see anything to buy that they like and there is no reason to move, they are staying put.

The Corporate Estate Agents Property Index of net sales (those that went through), based on about half the country's housing transactions through estate agents, peaked in February (38,126 sales) and March (40,114), but by July had fallen to 29,382 – 9.7 per cent down on July 1993. In August the figure was 29,570, 1.7 per cent down on the same month last year but up 0.6 per cent on the previous month.

It is curate's egg of a market, good in parts. There are masses of would-be buyers, and the affordability of houses has hardly been better, but agents do not have enough vendors with the confidence to instruct them to sell.



This stock shortage makes the market still stickier and prices, as recorded by Nationwide and Halifax, have barely moved. Turnover is low and the expected general recovery is still on the horizon.

Two sectors are different. The shortage of homes for resale has boosted the lettings and new homes markets. New house prices went up sharply in August by 2.2 per cent from July, Halifax estimates.

More people are becoming tenants, some for well-established reasons (job demands, divorce, widowhood, waiting to buy after selling) and some because they now prefer the flexibility – and reduced responsibilities – of renting.

It is also a market of strong local variations. Prices have surged in London and for good properties within easy reach of the capital. But in other parts of the UK they are still coming down.

In December 1992, Yolande Barnes, head of Savills' Residential Research, forecast rises of 10 to 15 per cent in prime central London prices by June 1994. The actual result, she computes, was 23.4 per cent, putting prices at about the level of June 1987.

We shall see in January how her forecast of December 1993 – that prices would rise by 19 per cent across the country in 1994 and by 25 per cent in prime central London – has worked out. With half the year gone, the London advance has reached 11.9 per cent, showing that there has been good recovery in the capital.

This is very different from what Nationwide and Halifax have been saying but, as Barnes emphasises, their figures cover the properties on which they give mortgages and therefore leave out 28 per cent of transactions – mostly at the top of the market – that do not involve mortgages.

James Wilson, of buying agent Wilson & Wilson, thinks a more likely figure for the 1994 increase will be 10-12 per cent and points out that London is always a different market because foreign investors help to buffer it from the domestic economy. He expects a further 10 per cent rise in 1995.

Besides rich foreigners, City bonuses have been a factor, particularly in areas such as Kensington, Holland Park and Notting Hill, which showed an annualised increase for flats of 28.1 per cent and for houses of 22 per cent in the second quarter of this year.

The bonuses have also affected the market in counties such as Hampshire, where owners of cottages, village houses and country houses have been obtaining the asking prices immediately.

Michael Dunning, of Lane Fox in Winchester, sees many frustrated buyers chasing houses costing more than £500,000 with supply "distinctly short".

On Savills' figures, the general rise for good country houses has been 3.8 per cent in the first half of the year, with average rises of 1.7 per cent in the north, 2.6 per cent in the east and west and 8.1 per cent in the home counties.

But it is a patchy picture in which local conditions and the quality of the house both have an effect. In East Anglia, Cambridgeshire is, as usual, the first county to feel the improvement in the economy spreading out from London, thanks to its university, high-tech industries and good communications. Prices have risen about 5 per cent this year, Bidwells reports, with far easterners and Channel Islanders among the buyers. There is the support of a strong lettings market.

Other parts doing well include south-east Wales, Gloucestershire, North Yorkshire and the West Midlands, according to the Royal Institution of Chartered Surveyors market survey for May-July.

Some selling and buying agents feel that Savills' bullish forecasts for 1994 price rises have encouraged vendors to put off decisions in the hope that they may wipe out any negative equity which they may have carried. But there cannot be any price changes without market liquidity.

Finally, in spite of exceptions, there is little prospect of quick capital gain. If attitudes to buying really have changed – and property is no longer something to take a punt on – the turnover in the resale market will continue to be much less than a few years ago.

That is good news for landlords and new home builders. But for estate agents it can lead only to amalgamations and reductions as there will not be enough business to keep them all going.

In the meantime, buyers should sell if they can and determine how large a mortgage their salary can stand so that they can beat the competition for that ever rarer item, a period house for sale.

Masses of would-be buyers – but agents do not have enough vendors

Continued from Page I

above the ground so that the house seems to float among the trees. The columns form a circle specially measured so that the Savoyes' chauffeur could whisk them to the door with a single turn of their Hispano Suiza's steering wheel.

The only hitch is that Villa Savoye is not on the market, nor is it likely to be in its guise as a French national monument.

Simply the best, better than all the rest

SINGAPORE

It is much better to throw mods and cons into the tropical breeze and go for traditional, colonial style, writes Kieran Cooke. A house in the Mount Pleasant area, only about 15 minutes drive from the downtown business district, would be my ideal. You crunch your way up the drive to a two-storey black and white house. A verandah as big as a running track stretches around the building. Here, in the hallway by the front door, is where you sit and have a sundowner or play a rubber of bridge.

The proportions of the rooms are more than generous. Fans hanging from high ceilings sloop away. The floors, made from the best tropical timbers, creak underfoot. Outside, the lawn is lined with sweet smelling jacaranda trees and hibiscus.

There are some inconveniences to living in the old style. There is little or no air conditioning. Crawling objects might choose to climb into bed with you and there are mosquitoes. But it is more what living in the tropics should be about. And you do not have to be a millionaire to afford this ideal. A three-bedroomed house, with substantial garden and pool, plus servants quarters, could cost just S$12,000 to S$18,000 per month.

TOKYO

The ideal homes that Tokyoites are madly curious to know about are the four penthouses on the 31st and 32nd floors of a luxury condominium complex offered by Sapporo Breweries earlier this year, writes Emiko Terazono.

The other condominiums in the complex cost between Y123.7m (£808,400) and Y486m (£3.177m) and have been snatched up by those who can afford it. However, the company refuses to reveal the details and prices of the penthouses, which it says are not for sale to the public.

Property analysts say the penthouses are likely to be the most luxurious pieces of real estate to come on to the market in the last few years.

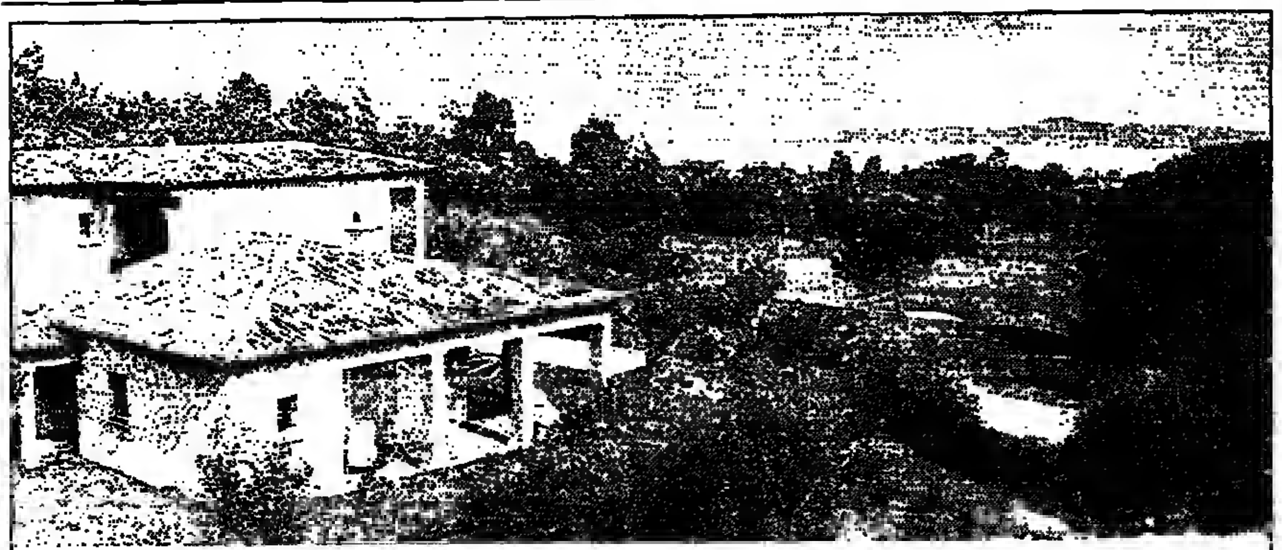
Sapporo says the development block, Yebisu Garden Place, in which the condominium complex is situated, is itself a status symbol. Located in a trendier part of town, residents of the condominiums have easy access to high-rise office buildings, luxury hotels, restaurants and a shopping mall all inside the block.

BERLIN

Property is scare, expensive and still plagued by claims from former owners in east Berlin, writes Judy Dempsey. But do not despair. You will soon be able to live in Stadtmitte, the heart of old Berlin.

It is likely to become the hub of the German capital and a clutch of luxury apartments become available next summer when Tishman Speyer property developers complete their exclusive retailing, shopping and housing complex on Friedrichstrasse, a stone's throw from Checkpoint Charlie. No one could ask for a better location, backing on to the Gendarmenmarkt. Renting is the norm and expect to pay between DM40 and DM50 a square metre. You will not regret it.

FRANCE



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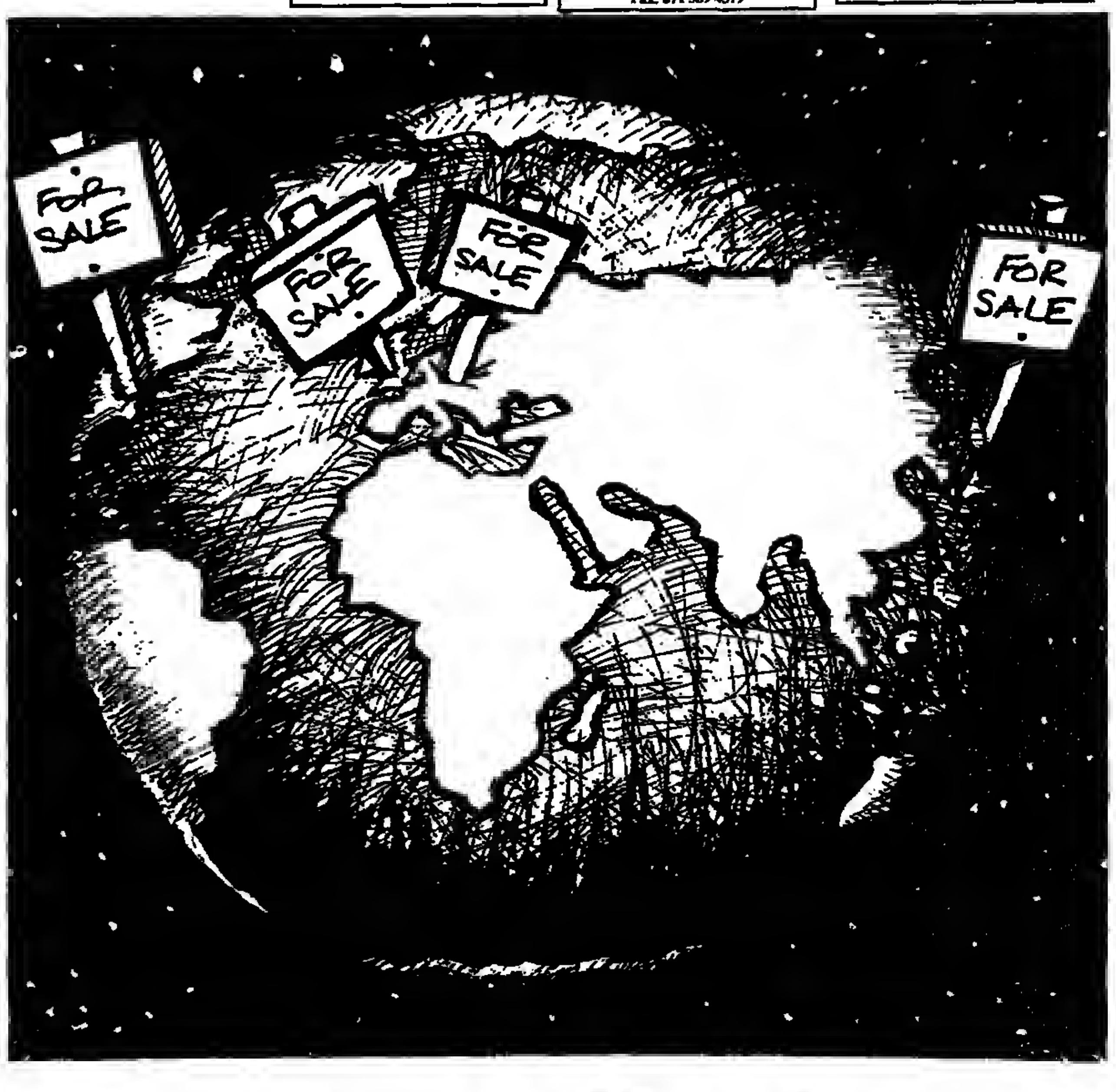

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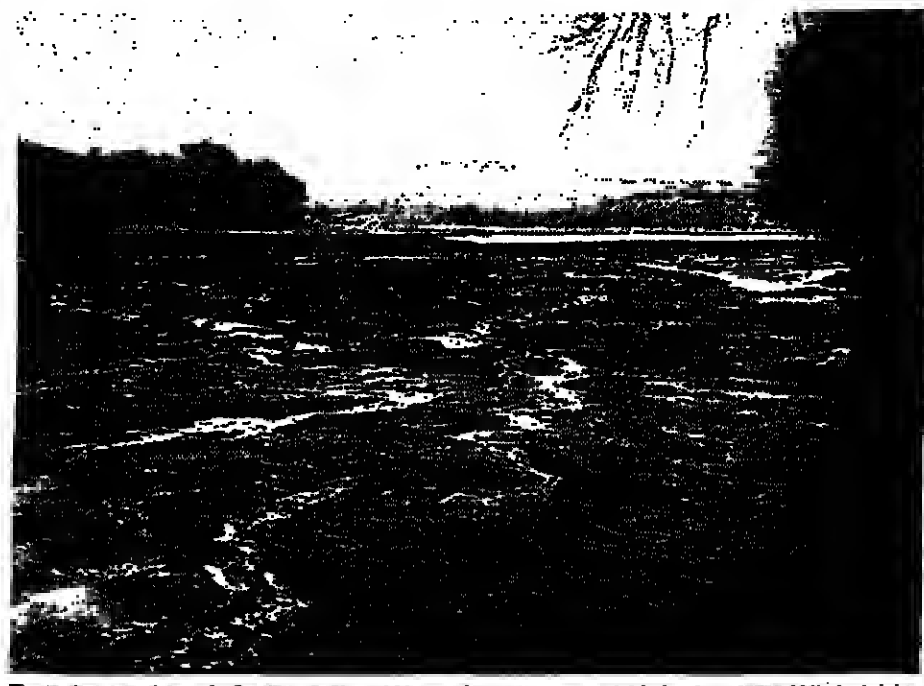



The Ballisodare fishery in Co Sligo (left) could be made more commercial (price from I£500,000). And right: Carnoch, Scotland, which includes a house, a hill and a whole river system (from £300,000)

In the hunt for a sporting venue

***Gerald Cadogan** surveys the hunting, shooting and fishing properties on the market*

For shooting on the Pennines, consider the Scargill estate of 4,222 acres (with sporting rights over a further 922 acres) in Teesdale. Price: £1.35m

Autumn is the high season in field sports. Pheasant and woodcock are shortly to be in the firing line; grouse and snipe have been fair game since the glorious twelfth of August, and the shooting season for partridge, wild geese and duck opened on *September 1*.

The grouse in Scotland have been a little disappointing, but salmon are doing well. And now that the harvest is in, cub-hunting has begun – training of the cub hounds to work as a pack and culling the weaker cub foxes.

They are all expensive sports but, if you travel almost all the way to John O'Groats, the northern tip of the British mainland, you can buy an estate of 44,000 acres for less than the price of a house in Kensington, west London.

The Forsinard and Bighouse estate, in the bogland "flow" country of Sotherland, offers virtually every kind of field sport, plus a *4,300-acre farm, 15-bedroom hotel*, railway station, a sand and gravel quarry, and an extraordinary variety of wildlife.

The price? Strutt & Parker in Edinburgh is asking for offers over £1.35m. And no parking problems.

The natural home for hunting folk is Leicestershire, where six packs – revered names such as Belvoir, *Cottesmore, Fernie*, Pytchley and Quorn – converge on Market Harborough.

It is special because much of the rolling country is still pasture, whicb keaps the old pattern of small fields divided by hedges. As the hedges were not grubbed up 20 years ago, jumping over them offers more thrills – and spills – per mile than in the rest of the country where they were removed (with government grants). And Leicestershire has fewer barbed wire fences.

An ideal hunting box (house for hunting) with an immaculate stable yard with eight loose boxes is Ravenhead, at Ingarsby, near Leicester in Quorn hunting country. Strutt & *Parker in Market Harborough offers* it for £450,000.

Also in Quorn country (for Friday meets) is Inkerman Lodge at Hungarton near Melton Mowbray, which has 60 acres of grassland and costs £425,000 from Savills in Stamford. in Cottesmore oountry, Strutt & Parker offers Alstoe Farm at Burley-on-tbe-Hill in Rntland for £290,000.

An alternative is to make some income from bunting, by taking the lease of Kirby House Stables near Belvoir Castle, which used to be the Belvoir hunt kennels. The yard, with 49 loose boxes (21 let), three cottages and paddocks, yields a net income of £6,000, but could manage a further £15,000 from letting the remainder. The price for the lease, with 10 years left, is £100,000 from equestrian property specialist Christopher Stephenson.

In the Cotswolds, Knight Frank & Rutley in Oxford is selling Copse Hill Court at Upper Slaughter, a house converted from a 19th century stable block but still with five loose boxes and nine acres in Heythrop country. The price is £575,000.

Two other Heythrop bouses from KFR are Evenlode Place (£900,000) and Downs Lodge near Shipton-under-Wychwood (£545,000).

Another hunting paradise is Ireland, where it has always been a cross-class pursuit. If you want to go out with the Wexford, Kilmokea at Great Island, Co Wexford, has 14 loose boxes, an indoor arena and 19 acres of farmland. But any buyer must also be a gardener, to maintain a famous garden of seven acres. The guide price from Jackson Stops & McCabe is I£400,000, but it would be essential to be sure of the outgoings before taking it on.

For shooting and fishing, combined perhaps with deer stalking, the ideal is an estate in Scotland. "Demand far outstrips supply," William Jackson, of KFR in Edinburgh reports.

Besides Forsinard and Bighouse in the north, Strutt & Parker offers Carnoch in the west near Fort William (where the railway station is the link with Glasgow and London).

Offers over £300,000 (down from £375,000) will buy a house, a hill farm, 4,355 acres with deer stalking and rough sbooting, and the wbole Carnoch river system – which is always a good buy as it is easier to improve the fisbing as you want it.

For the romantic, tbe same agent offers the Island of Inchfad in Locb Lomond for £550,000 (or io one-eighth shares of £90,000), for duck shooting and as a base for fishing salmon, trout and powan – the loch's own freshwater herring. It is 120 acres and has four cottages.

The Upper North Wark fisbing beat on the Tweed (with a four-year average of 122 salmon) costs £700,000 (again Strutt & Parker). Or buy a specified week in perpetuity on the Beauly river near Inverness from £11,000 plus VAT per rod per week on the Upper Beauly (126 salmon last year) or £25,000 on the Lower Beauly (1,065 salmon last year), from KFR.

Fishing io the English West Country is far cheaper. Strutt & Parker in Exeter is selling a beat on the Taw in north Devon (*20-year average: 23 salmon and 42 sea trout*) for £175,000. A cottage is £75,000 extra. Stags offers Feld House near Chulmleigh with 11 acres and a mile of fishing oo the Little Dart, a tributary of the Taw, for £230,000.

And in glorious, unspoilt country in the west of Ireland a complete salmoo river system is available. The Ballisodare fishery in Co Sligo, covering four rivers, belonged for a long time to the Cooper family (as the Cooper Act 1837 ordained). They managed a superb fishery in the last century, which is oow for sale with the netting rights in Ballisodare bay which means beiog able to cootrol the fish returning to the rivers. The present owners have run it for pleasure, but the new owner could make it more commercial.

In recent years the average catch on rod and line has been 1,200, with 800 more oetted. The minimum price is I£500,000 from Hamilton Osborne King or KFR in London.

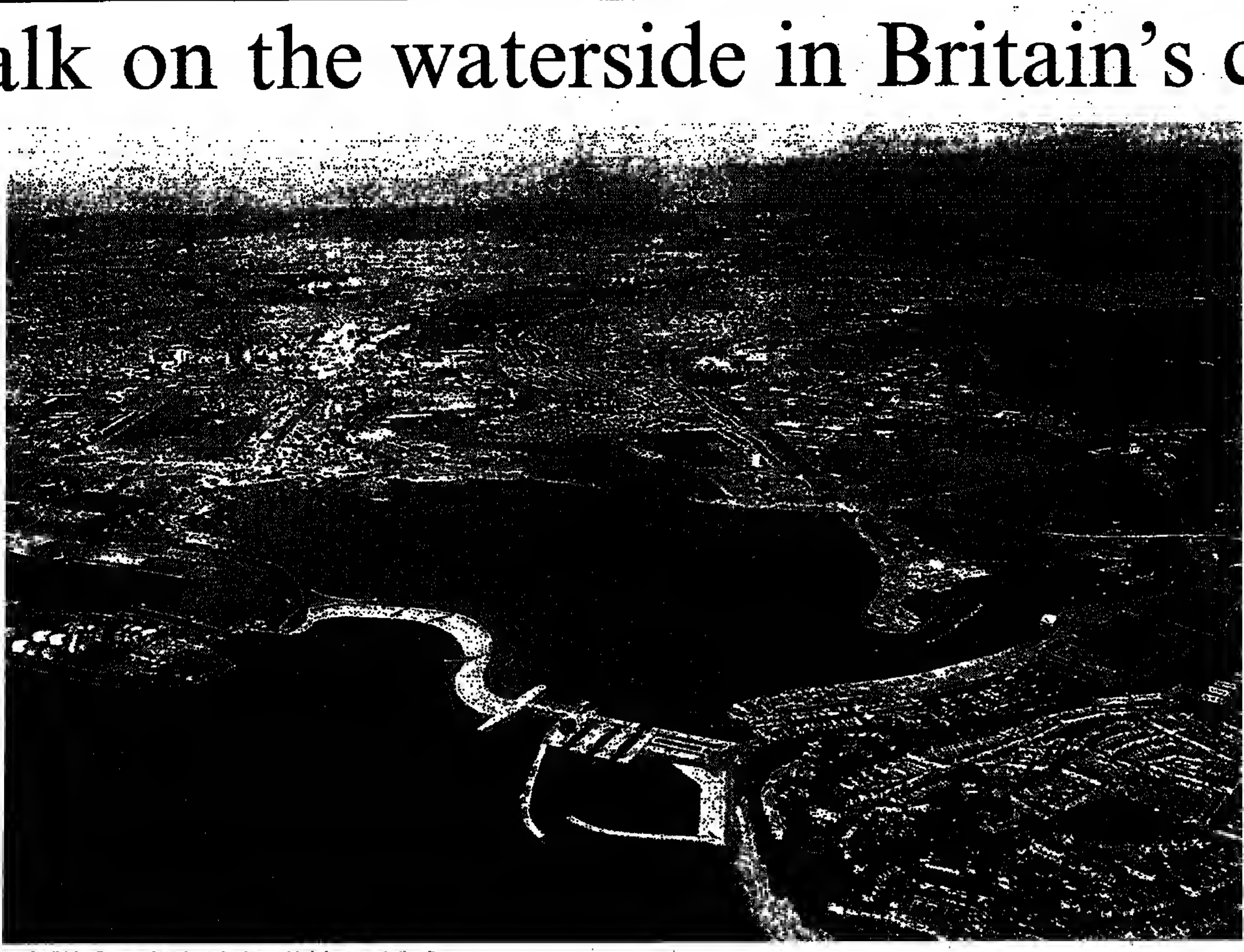
Finally, for shooting on the Pennines, consider the Scargill estate of 4,222 acres (witb sporting rights over a further 922 acres) in Teesdale. Besides grouse (20-year average: 393 brace), it offers pheasant and duck, and six let farms producing £23,338 a year – to set against tbe price of £1.35m from Murray or Savills in York.

■ *Hamilton Osborne King, Dublin (010-353-1-676 0251); Jackson-Stops & McCabe, Dublin (010-353-1-677 1177); Knight Frank & Rutley, Edinburgh (031-225 8171), London (071-629 8171) and Oxford (0865-790077); T. Murray, Haswell (091-526 1191); Savills, Stamford (0780-66222) ond York (0904-620731); Christopher Stephenson, Newbury (0635-528585); Stogs, South Molton (0769-572263); Strutt & Porker, Edinburgh (031-226 2500), Exeter (0392-215631) ond Market Harborough (0858-433123).*

ON THE WATERFRONT

A walk on the waterside in Britain's cities

Gerald Cadogan sees new horizons on old waste sites



The Cardiff Bay Barrage site: a huge development to help regenrate the city

Marina developments. Two boring words that strike pleasure into the heart of any UK property developer.

In truth, these areas are often relics of the Industrial Revolution – old ports well suited to conversion. They can give new life to their cities, providing space and visual pleasure. And, usually, they are next to city centres – often because they were the reason the city was founded.

Now that the Department of the Environment is tilting against edge-of-town greenfield sites for development, these brownfield/grey-water sites are an alternative to regenerate Britain's great cities and clean up industrial wasteland.

In its heyday, around 1913, Cardiff, the Welsh capital, supplied coal from the south Wales valleys for the world's steamships. But this rich commerce had to take into account the extraordinary tides in the Bristol Channel.

For 14 hours a day Cardiff Bay is mudflats. Boats laden with coal could leave only at high tide. The Coal Exchange in Mount Stuart Square (the pre-first world war equivalent of OPEC headquarters) had clocks flanking the entrance to the trading floor to indicate tidal times.

Today the tides, which can rise and fall more than 30 feet, are the reason for the largest scheme in the regeneration of waterfront Cardiff – the building of a barrage across the bay to pen in a 500-acre freshwater lake with a stable water level that will be a haven for watersport enthusiasts.

After many delays, work has started and the barrage should be completed in 1998.

This huge space of water will be between Penarth on the west and the inner harbour of Cardiff to the east, which is the centre of the Cardiff Bay Development Corporation's schemes for new housing, jobs, facilities and shops around the old coal port. (The working port is the adjacent Queen Alexandra Dock, which dates to Cardiff's prosperous years.)

The port at Penarth is already the Portway Village marina and is set, like town squares, around two dock basins under the dominating presence of the old customs house on the cliff above. Camper and Nicholsons runs the marina, a development by Crest Nicholson (its joint company with Crest), which has about 230 boats permanently. Two housing units are still available, and some are for resale. With visiting boats, 18 per cent up on last year, it always has something to watch. "I'd like the activity – and the barbecue parties here," says Pat Lewis, who moved from the Midlands to be housing strategy manager for CBDC.

The tides make for exciting trips on a Bristol Channel cruising route that stretches from Padstow, in Cornwall, to Gloucester, says marina manager Charles Bush. Once it has a stable water level, Cardiff Bay will become a major venue for boating, he says.

In Cardiff, access to the port has been improved. The new peripheral distributor road, which links Cardiff Bay with the M4, has been put in a tunnel and a boulevard, to be called Bute Avenue, will lead from the city centre to the waterfront. A new opera house for the Welsh National Opera, and a "virtual reality" cinema will join the Welsh Industrial and Maritime Museum, Techniquest (a hands-on science museum) and a Harry Ramsden's for fish and chips.

Job opportunities are rising with several new offices – including NatWest's resuscitation of its grandiose bank of 1916 in West Bute Street, another symbol of Cardiff's wealth. Nippon Electric Glass and Schott of Germany have recently invested £200m in a new factory.

Cardiff is different from ports such as Manchester and Liverpool. Its history as a coaling port means that it needed only large flat areas to dump its product. There are no warehouses to turn into flats, except for the isolated conversion by Lovell, a few years ago, of a Spillers' flour warehouse. Instead, it gives a rare chance to use lots of space to build a high-quality townscape from scratch, which is CBDC's aim. People may enjoy living and working around the inner harbour – and praying; they will have an Anglo-Catholic church, a Greek Orthodox church and a mosque within 100 yards of each other.

The new housing schemes have a target of 6,000 units, with 1,700 built or being built. Barratt, Beaser, Tarmac, Westbury and Windsor Quay are the developers for a variety of housing, of which 25 per cent will be social. Tha whole is an exciting plan to reunite a city with its roots in the water.

Swansea's wealth was in metal-working, but only two chimney stacks are left of the 300 that were there at the turn of the century. Two years ago it opened its barrage at the mouth of the river Tawe, creating a lake with excellent moorings and eliminating the mudflats problem. A licence for the lock costs £80 a year.

Inside the barrage is the water entrance to the marina at the south dock. It closed in 1969, but the decision in the 1970s to make a maritime quarter created the country's first marina on old industrial land.

The scheme finished in the mid-1980s – although one housing site and two leisure sites await development. Grosvenor Waterside, the development arm of ABP, has plans for the less used part of the eastern commercial docks, using public and private money and providing everything from sheltered housing to £200,000 homes.

Westrec of the US, a Marina management company, took Swansea marina on as its first in Europe, and aims to raise the 66 per cent occupancy of berths by providing better facilities and, probably, a club for owners (most of whom live within 25 miles of Swansea).

In London the Chelsea Harbour development by P&O sits on an old coal dock and goods yard. Residents value its security and quiet, the harbour club and restaurants, a nearby supermarket, and stunning views.

(For the best view of it take a helicopter from the Battersea heliport across the river.) A car is necessary since it is a long walk to the London Underground.

The marina has 55 berths (at £160 a year per metre) and can be left or entered 90 minutes either side of high tide. Yachts may repair to the Harbour's five-star Conrad hotel.

The 310 units in the eight blocks are all sold, bar a house or flat or two. But about 10 per cent are for resale at any time, at prices from £325,000 to £1.3m.

Rentals are also available. Harbour Estates is the agent on the spot. Beaney Pearce, Parkway, and Strutt & Parker also offer flats for sale.

In Edinburgh the decision to move the Scottish Office with 1,600 staff to the port of Leith has given an impetus to plans there. Known for its restaurants and wine bar, Leith now boasts an hotel converted from an 1883 sailors' home. (a joint project by Forth Ports and Ken Mculloch of One Devonshire Gardens hotel in Glasgow). Forth Ports has shops, offices and housing in train.

■ Information: Cardiff Bay Development Corporation (0222-585 858); Chelsea Harbour Beaney Pearce (071-589 2333). Harbour Estates (071-351 2300). Parkways (071-813 0022) and Strutt & Parker (071-235 9959) on Leith: Forth Ports (031-554 6473); and Swansea Marina 0792-470 310).

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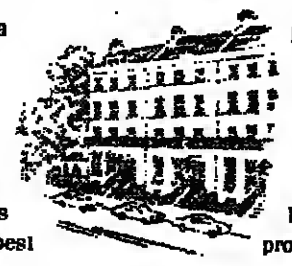

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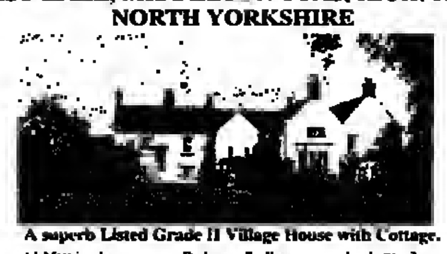

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COUNTRY RENTALS

HOLIDAY HOMES

Chalets for those who like Alps without snow

***Audrey Powell** explores resorts in France and Switzerland finds that properties by the slopes often sell to people who do not ski*

It is common knowledge that a large number of people who *buy homes* on golf courses do not play golf. It also appears that many people who buy homes in Swiss ski resorts never ski.

"Your average client for an upper price property is 50 or over. He has made his fortune and comes to the mountains to relax. He likes the peace and quiet, the civilised way he is treated. He likes to look at the view and go walking. To him skiing is totally irrelevant," said a developer in Switzerland.

"He (and it usually is a he) does not want a lot of bedrooms. He has guests but puts them up in the local hotel. These are the kind of people who are able to pay £200,000 upwards for a ski-resort home. Not the yuppies. They go on package holidays or rent somebody else's chalet."

His remarks are a reaction to a report by Mintel Leisure intelligence which argues that the British Education Reform Act, which discouraged ski trips in school time, will, in the long term, reduce the appetite for skiing among British adults. The number of children going on school skiing holidays has fallen from 200,000 in 1990 to 60,000 in 1991/1992.

Already, Mintel says, the mass market for skiing holidays has dropped sharply and only real enthusiasts have continued to ski.

But if the developer is correct these trends may not affect the already slender British demand for ski-resort property.

A London agency which specialises in selling Swiss resort property, David de Lara & Partners, also notes a lack of commitment to the sport among buyers. The people who purchased his chalets or apartments were interested in summer activities.

"Skiing is never the primary motivation," said de Lara.

The market was "not bad" at present. There were British buyers and other buyers. But new properties were getting more expensive in Switzerland. So something an intending purchaser might like to note is that not only are the rules


Changing seasons: Chalet Grizzli in Méribel (in summer, left, and winter, right) is on sale through Alpine Apartments Agency for £1.09m

about selling to foreigners different in the various cantons, but the related costs vary as well.

Acquisition fees, based on purchase price, including notary fees, federal and cantonal charges for making the search, purchase tax, drawing up deed and land registry fees in Champery (Valais) come to 2.2 per cent. in Villars (Vaud) they are 5.5 per cent. Bank interest rates on mortgages in Valais are 5.5 per cent for both Swiss and foreigners. In Vaud they are 6.25 per cent for Swiss – and 7.25 per cent for foreigners.

Annual taxes on a property, including tax (communal, cantonal, federal) in Valais come to 1.2 per cent. For a similar property in Vaud they are 2.2 per cent.

The agency is offering property in Valais. At Champery, a traditional Alpine village of timber chalets on the Swiss-French border, it has apartments in two new chalets. In one, units are ready for occupation. A one-bedroom apartment costs from £134,000 (SFr290,000).

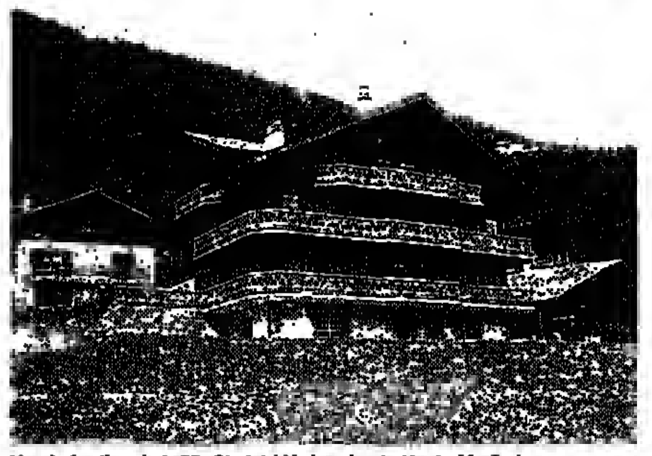
There are two and three-

Sun and snow: Chalet les Portes du Soleil in Champéry in Valais

room versions and a penthouse at £300,000. There are also chalets on the hillside, looking down on the village. Price £315,000 for four bedrooms.

In Vaud, Lennards Properties international, a British-owned Swiss company, has apartments available to non-resident foreign buyers in a new 15-acre project at Villars. This is Domaine de l'Elysee, where the first apartment-let, L'Astragale, is being built. There will be 14 units in the five-floor building and some should be ready by December. A two-bedroom appartment is £216,000; a four-bedroom penthouse, £380,000. Five-apartment chalets will be built on the rest of the site, spread over several years.

Villars is a pleasant, long-established village and its central road is soon to be made traffic-free. It is one of the few Swiss resorts which over the years has allowed foreigners.



Handy for the chair lift: Chalet L'Auberpine in Haute Meribel

In France Zigi Davenport of Alpine Apartments Agency, notes how recent building and road work, and new lifts, have improved its access and general appearance in Meribel, in Les Trois Vallees, where the agency has property.

There had been a lot of residential building for the Winter Olympics and at very high prices.

"Incredibly most of it has sold and more is taking place," says Davenport.

Last winter's excellent snowfalls resulted in some of the best skiing ever in the area and demand had returned for prestige property.

Chalet l'Auberpine is a new stone and wood-clad apartment block set off the road, with views across the valley of bel. For those who do intend to ski, it has the advantage of being beside the new chair lift and on the piste, so they can ski back to the building. A two-bedroom apartment is £145,450 (FFr1.9m); a three-bedroom duplex, £240,000.

Neighbouring Courchevel 1850 is still pricey, but popular with the French, who, in spite of recession, are buying again, says Davenport. But, with a thought for the low-budget purchaser, she suggests a one-bedroom and bunk-room apartment, which can be had for £34,000 at Val Thorens. Letting this for three weeks in the main ski season in February, could produce a rental income to cover running costs.

Val Thorens claims to be the highest ski resort in Europe. But it has its detractors. In bad weather "you may be forgiven for thinking you have been stranded amid the mountains of the moon," says *The Good Skiing Guide 1995* (Consumers' Association, £14.99, 624 pages).

What of Italy? It was popular for skiing holidays last season because of the weak lira but not much of its ski resort property comes on the British market.

When architect and mountain resort planner Laurent Chappis designed Sansicario, in northern Italy, 58 miles from Turin and nine miles from the French border, he knew what he wanted to avoid. Some modern ski resorts are stark when snowless in summer. Their tall apartment blocks lack the charm of traditional chalet design. Chappis was determined that Sansicario's buildings should have the minimum impact on the original scene: that the village would be vehicle-free and properties should have pistes "on the doorstep".

The residences and hotels are built around a commercial centre on gradually descending levels. The buildings are spaced out and no more than three storeys high. Large underground garages accommodate cars.

The properties are on the western slopes of Mount Fraiteve, with a view through woods of larch and fir. The residences, centre and ski-lifts are connected by pedestrian routes and there is a monorail for more distant buildings.

There are 100 cable-cars, chair-lifts and ski-lifts, and few queues. The centre has shops, bars and boutiques.

In 1976 the first buildings were ready. In 1997, along with Sestriere, Sansicario will host the World Ski Championship. Apartments are available from £100,000 (L242m) to £300,000. There is a swimming pool and cinema as part of the development.

Indeed, UK agent Brian A French, in Knaresborough, which is offering the apartments, says Sansicario can be enjoyed equally in summer and by the family which does not ski. There is horse riding; tennis can be played from 9am until midnight and a golf course is promised, with construction expected to begin next spring.

■ *Information: David de Lara & Partners 081-742 0708; Lennards Properties International 071-586 9462; Alpine Apartments Agency 0544 388234; Brian A French & Associates 0423 867047.*

Island refuge from cold, grey winter

***Audrey Powell** looks at prices in the balmy Canaries and Madeira*

A growing number of Britons are taking their holidays in the sun not in the heat of summer but in cold, grey winter.

For them, buying a winter holiday-home in a warm climate makes sense and they should be able to let at high season rates in summer.

Spain's Canary Islands, off the north west coast of Africa, are favourites. Breezes keep them from being too hot and the temperature changes little throughout the year.

Of the seven major islands, Tenerife, the largest, is probably most popular. Its southern coast has beaches, golf courses – and most of the tourists. The north is damper and greener.

There is plenty of choice of property. one resort in the south has apartments, villas, building plots and a country club with 17 tennis courts. The villas cost from £70,000 (Pta 14m) to £200,000, with garden and swimming pool.

An interesting Canarian house halfway up a cliff looks down on the fishing village of La Caleta. It needs modernising but has scope for imaginative conversion, £28,000.

UK agent Babet, in Somerset, can send details of these and many other homes on the island. Allow 7 per cent of the purchase price for legal costs.

Since 1965, Chilcott White (Overseas) in Croydon, Surrey, has acted as selling agent for a Canarian landowner building groups of detached homes in Tenerife.

Today it offers two to three-bedroom cliff-top properties in the north, close to the Orotava valley and eight miles from Puerto de la Cruz. These bungalows or split-level villas are built to order.

Prices, with land, are about £40,000 to £50,000 (larger plots are available). A garage costs from £3,500, a swimming pool, £10,000. Add 10 per cent for purchase fees and taxes. Building takes six months.

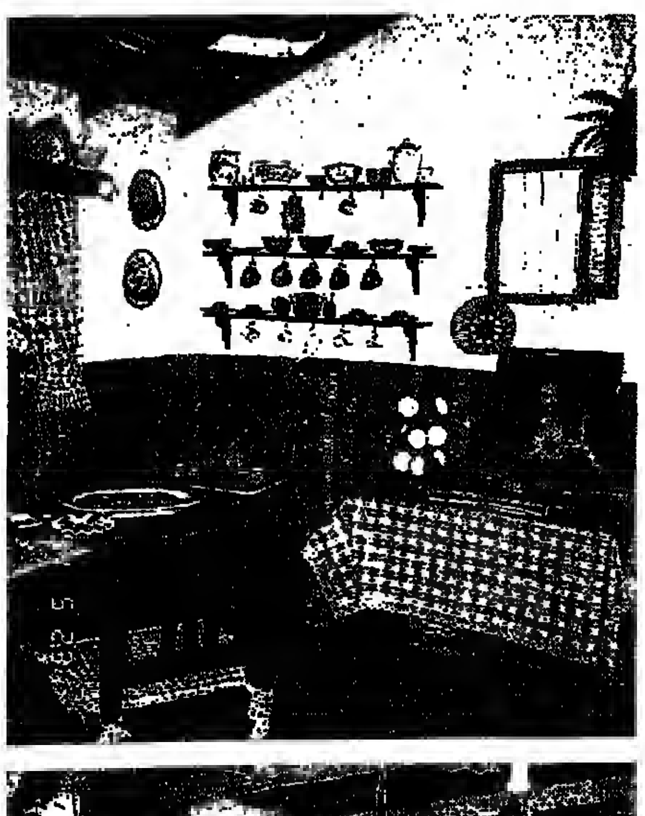
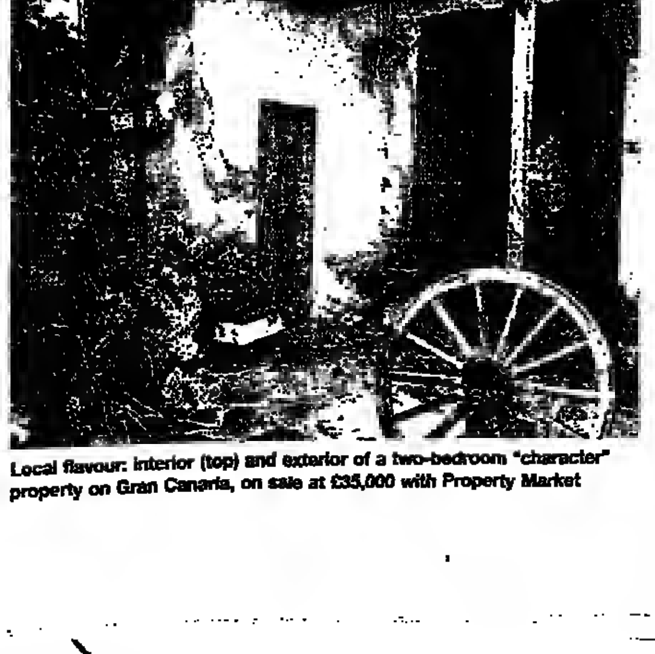
Gran Canaria, the third largest Canary island has long sandy beaches, which make it popular; pine forests and mountains.

It also has areas of caves, both coastal and inland. Many become fascinating homes. Estate agent Sheena Gallagher, of Property Market, in Las Palmas, can offer a cave-house with sitting-room, two bedrooms, two bathrooms, kitchen. It is on mains electricity, "but water comes naturally into an underground tank in winter."

The property has its own area of land and can be reached easily by car. The price is £50,000.

This agency also has converted farms at around £350,000 and a number of old "character" properties. One, at £35,000, has two bedrooms and a cellar, which is a cave.

Another, built in 1670 and well cared-for, has four bedrooms, several out-houses and an artist's studio. It has attractive views. Price £145,000.

Local flavour: interior (top) and exterior of a two-bedroom "character" property on Gran Canaria, on sale at £35,000 with Property Market

North of the Canaries, the small Portuguese island of Madeira has a different character. The Canaries are tourist-orientated, Madeira has a more settled atmosphere and a faithful winter-sunshine following.

It is a beautiful island, often called a floating garden – so much vegetation grows so easily in its mild climate, but it is short on beaches.

Its image may have become dated, but Madeira is no longer the "forgotten island". EU money pours in to improve its roads and help it develop a new business status, with an offshore financial centre, free trade zone and much else.

Owners of private yachts can benefit from Madeira's international shipping register, which offers a tax holiday until 2011.

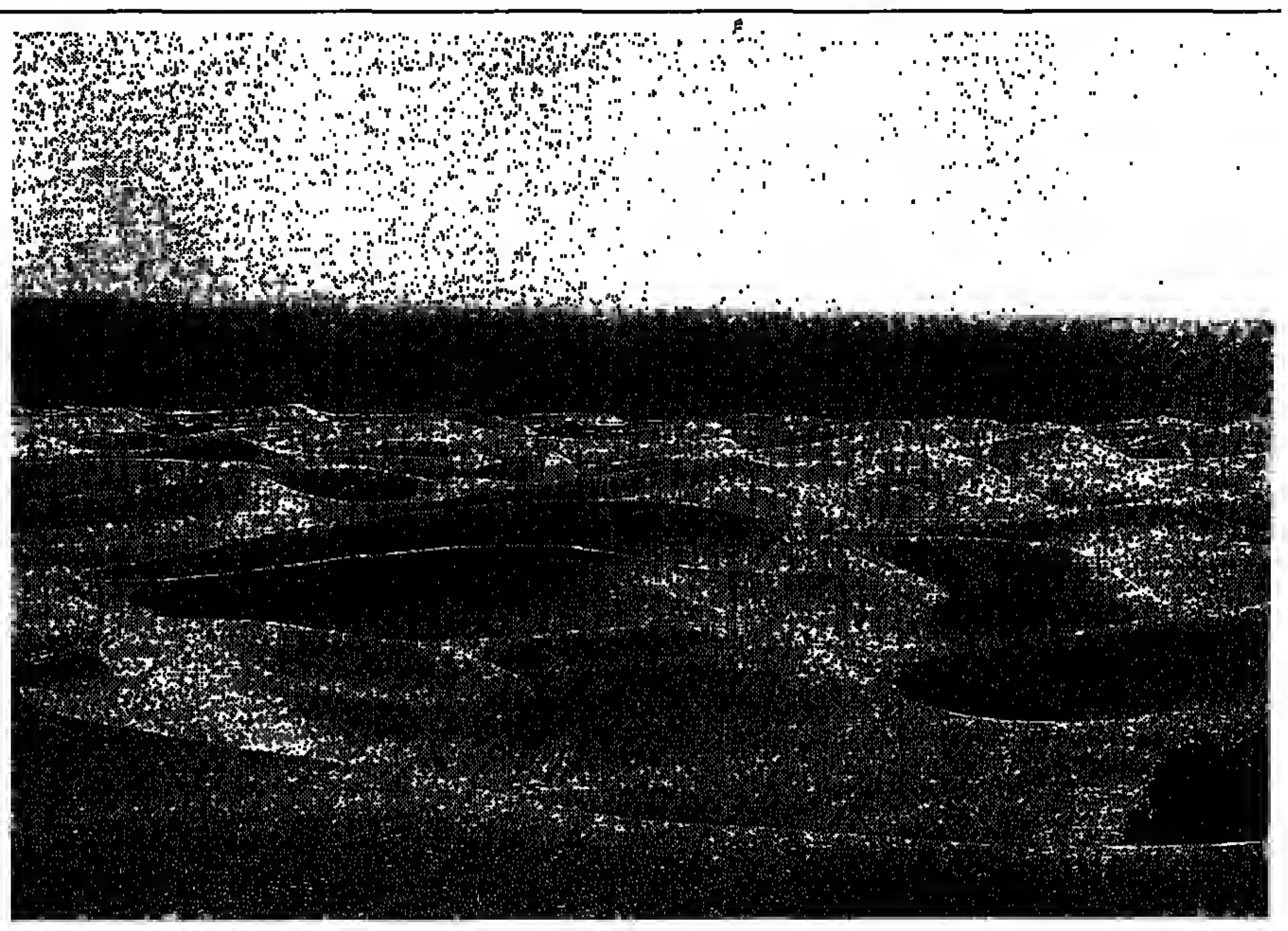
There is a good deal of property and land to be had, though the island does not advertise this much to the outside world. A third of the population lives in its capital Funchal, where prices are highest.

Here, among new developments, are blocks of one to three bedroom apartments, from £53,000 to £110,000. These are offered by Ilhopredio, in Funchal, an estate agency run by John Rodrigues and his English associate, Michael White.

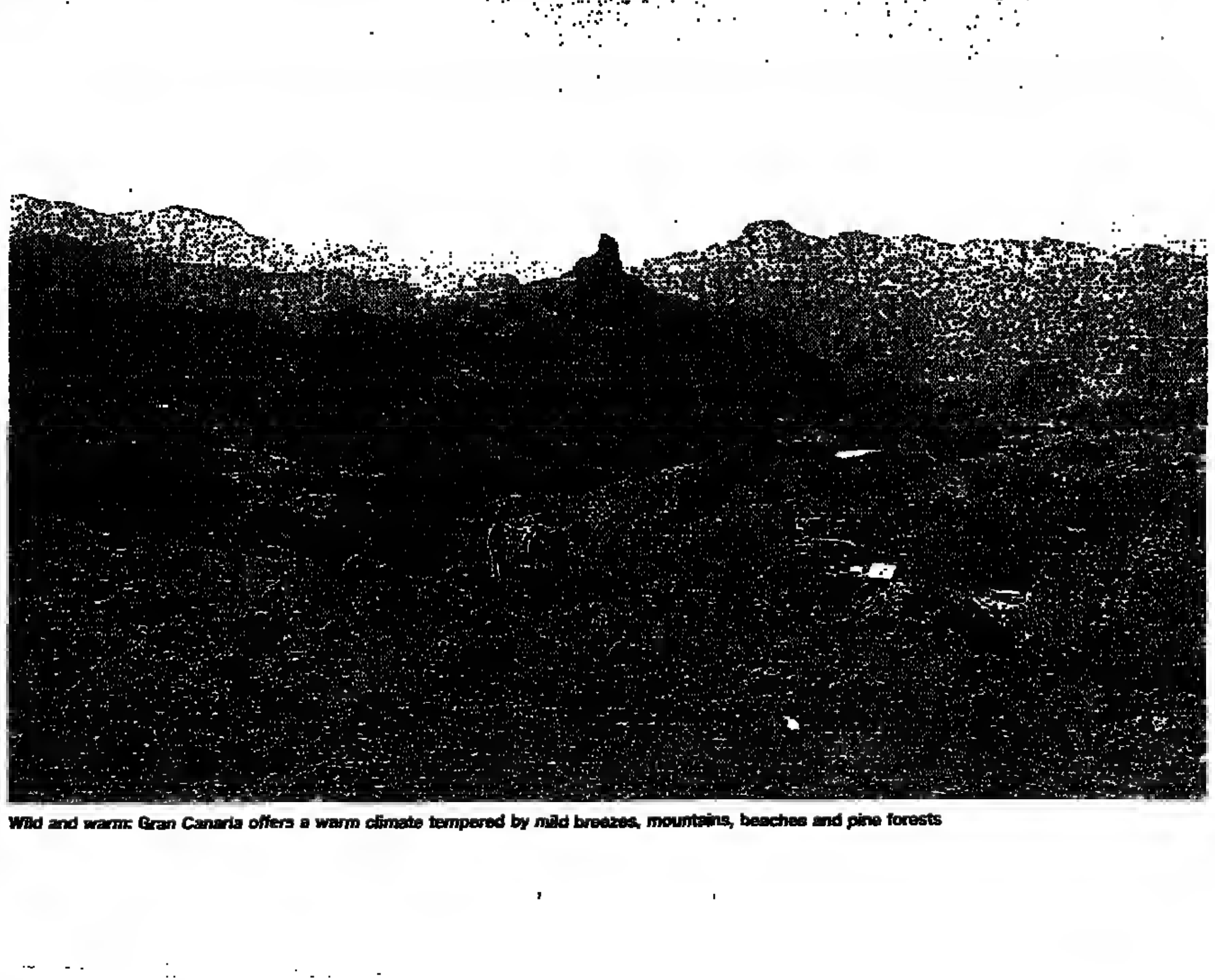
Prices of existing properties range from £50,000 to £240,000. "The market is a little quieter but still buoyant and prices have settled," says White. "There is a thriving community of English, German, French and returning Portuguese from South Africa." But the recession had reduced the number of buyers from Britain.

Another Funchal agent, Ivo Pereira, belongs to a group building hotels and apartments. It is building apartments just outside Funchal. They are part of a project with its own swimming pool and are priced from £85,000.

■ *Information: Tenerife: Babet 0460 76213; Chilcott White 081-688 4151. Gran Canaria: Property Market 28 64 07 33. Madeira Ilhopredio 23 24 77; Ivo Pereira 76 61 70.*



Plenty of sandy beaches: Gran Canaria



Wild and warm: Gran Canaria offers a warm climate tempered by mild breezes, mountains, beaches and pine forests


The Ebrington Arms, Braunton, Devon, on the market for £295,000


The Chestnut Horse, Easton, near Winchester, would cost £410,000


The Horse & Groom, near Bicester, Oxfordshire, on sale for £97,000

Free house even if a pub won't pay

***Gerald Cadogan** looks at the economics of buying an inn and finds that even those that lose money can be good buys*

"If I were buying a pub again", says Tooy Hackett, landlord of the Bartholomew Arms in the Northamptonsbire village of Blakesley, and a licensee for 35 years, "I'd start by visiting other pubs around – before I went to the one I was interested in – just to see how mucb beer was being drunk in the area. If they're clean and bright but empty, it means no trade."

A rural pub needs a village of 500-600 people to be viable. Most of these need to live near enough to walk or roll home. Blakesley, says Hackett, is alright, but "Maidford's never been a drinking village."

The trade is not what it was, Hackett says. Gone are the days when licensees wore their best suits for the Brewster Sessions in February (when licences are renewed). The magistrates would bave a report in front of them from the watch committee on what needed repairing and a man turned up from the brewery with a big book to note it all down.

"Sometimes, the beaks went round to check for themselves. Nowadays licensees come in T-shirts and jeans. I stopped going seven or eight years ago," he says.

His life has been in Northamptonshire pubs. One he took in 1962 cost £126 for the fittings, fixtures and stock, and had a rent of £16.

"An old couple had had it. It was very run down."

But he built it up and soon it was tbe only pnb in tbe county, outside Northampton, to have tanks fitted because the cellar did not have enough room for the increased amount of beer be needed.

Pubs divide into the traditional and the gimmicky. Hackett has no tolerance for the gimmicky. "They are only good 'til the pub down the road comes up with a better gimmick."

That explains why many publicans are in and out of the trade in two or three years. Theme pubs have a shifting population.

"There is no allegiance. At gimmicky pubs with youngsters yon must be prepared once or twice a week to get your head thumped."

For food, he says, stick with what a pub does best, and remember that it is not an expensive restaurant and should not compete with one.

"A good ham, egg and chips is far better to offer than coq au vin," even if the busband has qualified in catering and the wife fancies herself as a cook.


The Horse and Groom in the Cotswolds is priced at £435,000

Hackett also believes pubs should concentrate on creating the atmosphere of a welcoming family pub at the centre of village life to improve business. If there is an unruly element, "get rid of it straightaway," he says. The police "take the attitude that you took the troublemakers' mooey helping them to get drunk. So you sort it out yourself."

Hackett stocks two traditional beers - "real ale" - and three keg beers. Drinkers stick to one beer. "A Phipps man didn't dream of drinking a Charles Wells." This made problems for the darts teams when players refused to go to some pubs. Therefore, says Hackett, a large choice of traditionals has little point as they must be kept well and sold quickly, or they go off.

The drink-driving laws are not really a problem. People have adapted. One person drives, often the wife, if they cannot walk home.

You can become a publican as a tenant, or manager or owner.

Breweries are disposing of tied houses and there are some repossessions in the market, although far fewer than a year ago. So there is a range of free houses available. The choice, says Paul Reilly, west country manager of specialist licensed agents, Business Sales Group, is whether to take a run down pub cheaply, trade up and move somewhere else in a few years, or buy a sound business.

Buyers need to decide on their aims, and how they want to live and – most importantly – how strong their marriage is, before they start looking. How long will they stay? Can they improve it? Does it have outline planning permission for an extension? Banks are more likely now to lend, says Reilly, and the brewers will help free bouses with loans.

Pub sellers achieve best prices if they have good trading accounts, preferably for three years, and the house is is in good order.

"If it needs a new carpet, do it before you put it it on the market," says Reilly. The usual price is about one and a half times turnover net of VAT.

An alternative guide is how many barrels it sells. If the pub sells less than five barrels a week, it is not viable. Five barrels a week is about 250 a year, which can be capitalised at £500 a barrel – or a price of £125,000. So, occasionally, with a low-turnover pub, the bricks and mortar may prove more valuable than the business.

A pub like this could sell at prices far below comparable houses – or cottages – that are not pubs, although sometimes VAT is added to the purchase price.

In tenanted pubs a typical rent is £38 a barrel. Managers, of course, do not put up their own money but normally have a share of the profits as well as their salary.

Although tbe beer is tbe prime commodity, the publican's income comes less now from the "wet trade". The ratio used to be 80 per cent wet, and 20 per cent from food; but now the food may be 40 or 50 per cent of turnover. Gaming machines, known as AWP (amusement with profit) machines, are another source of income. The publican normally receives half the take.

Even so if, if a publican cannot sell beer, other income will not keep a pub afloat.

Hostel takeovers

Freehold pubs on offer from Business Sales Group (071-439 6617) range from the Horse and Groom at Caulcott near the Oxford Canal in Oxfordshire for £97,500 (which takes £1,700 a week net of VAT, split evenly between wet and dry sales) to the Horse and Groom at Upper Oddington near Stow-on-the-Wold in the Cotswolds for £435,000, which brings a cottage, 2.25 acres including a stream and trout pond, and seven en-suite letting bedrooms (producing about 20 per cent of the £250,000 net annual takings).

Near Winchester the Chestnut Horse in Easton ("a monied village"), costing £410,000, has a small "trade patio garden" and a popular pub menu. In tha north-east of England the Four Alls on the village green at Ovington near Barnard Castle costs £225,000 from the Leeds office (0532-446 266).

In the West Country, the Plymouth office (0752-251 545) is, selling the Ebrington Arms at Braunton between Barnstaple and Ilfracombe, with five bedrooms and a 38 cover restaurant and a net turnover of £180,000 (in the year to August 1993), for £295,000, down from £320,000. Also reduced are tha New Inn in Priddy near Wells "popular with cavers and walkers" (£445,000, from £475,000), and the Tower Inn at Slapton in Devon, now £299,950 from £400,000.

Heritage/Clive Fewins

A tour of the towers

Which came first, the tower or the church? This is a conundrum that has taken Bill Goode up many a church tower.

Goode, an 81-year-old retired pork butcher, has ascended and measured all but a handful of Britain's round church towers and can usually tell whether a particular tower is Saxon, Norman, or a later rebuild.

He is also the founder of that splendid example of the British love of obscure but worthy causes, the Round Tower Churches Society, which comes of age this month.

To celebrate the event, the society has publisbed a new edition of Goode's guide to all the round-tower churches in the country.

Goode became interested in churches at the age of 52. He was looking for something to photograph with his new camera and when be chose the round-towered churches of the Waveney valley, inland from his native Lowestoft, Suffolk, he realised what a poor condition many of them were in.

Eight years later he turned his enthusiasm into a national society, with a membership that has just topped 400. In the intervening years it has raised several thousand pounds which has been dispensed as grants to belp restore the round-tower churches that give their name to the society.

There are 175 complete round-towered churches in England, and a handful of others in a ruinous state. Goode and his fellow enthusiasts aim to make sure no more are allowed to deteriorate, by raising funds and creating interest in these remarkable buildings.

Preventing others falling into ruin is an uphill task. Of the 162 round-towered churches in Norfolk and Suffolk, most are in isolated hamlets, or even sitting alone in fields at the site of a former settlement. Of the remaining 13 round-towered churches, six are in Essex, two in Cambridgeshire, three in Sussex and two in Berkshire.

These church towers are round, and are found in only these six counties, because they are areas in which the stone was not good enough to build corners. The faithful had to gather flints and puddingstone, a dark iron conglomerate from the surface of the fields, to build their churches.

Some are very low (the average height is 35-40ft), others a little higher and built in clearly-visible 10ft "bands", which are the result of the sbort building season between Eastar and Micbaelmas in which mortar was able to set in frost-free conditions.

By examining the tower in detail – and Goode has ascended and measured all but a bandful of the round towers – he can usually tell its age and origin.

His conclusion is that 90 per cent of the East Anglian round-towered churches were built before 1066, with some of the churches dating back to 800. The towers themselves tend to be a little later, he says, because in most cases they were added to the churches.

"People often tbiok the tower came first because it often looks older than the adjoining church. But what I believe is that the Saxons built a church of flints and rubblestone – in many cases to replace an earlier wooden church – and then added a round tower," says Goode.

"In later centuries the faithful would reface tbe churcb with superior knapped flints and update the earlier buildings using superior dressed stone. But if the tower was sound they would leave it."

■ *Round Tower Churches of South-East England by W E Goode is available from C P Marchant, 4 Finchley Court, West End Street, Norwich NR2 4ET. Price to non-members is £24 hardback (plus £2 post and packing), or £15 paperback (plus £1.50 p+p). Details of the society from E M Stilgoe, Crabbe Hall, Burnham Market, King's Lynn, Norfolk PE31 8EN.*

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